



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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The report was prepared by the economic divisions of the Bank of Russia regional branches jointly with the Monetary Policy Department.

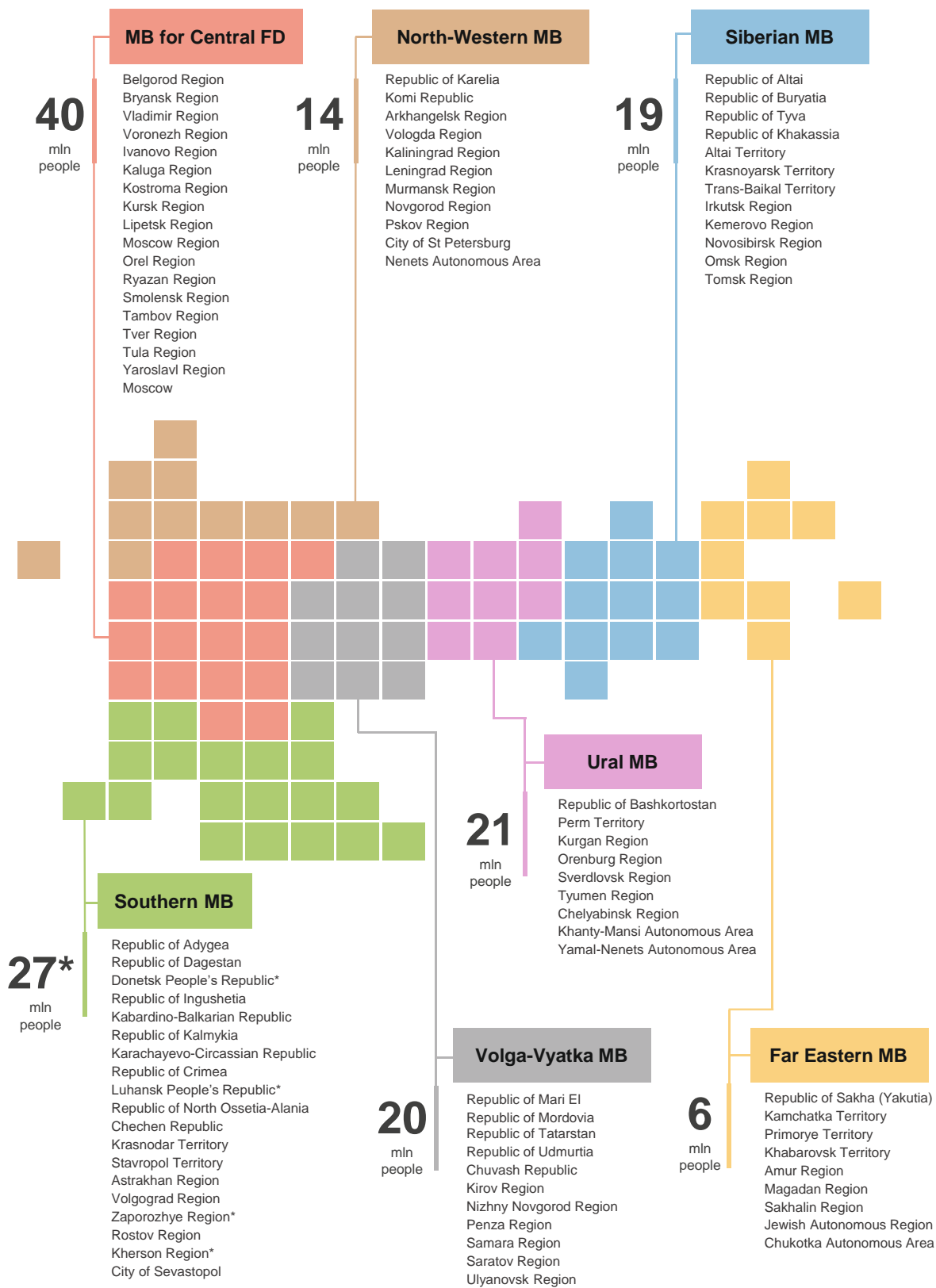
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of nearly 15,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

This Report is prepared to be a reliable source of the most up-to-date information about regional development for addressing the objectives of monetary policy. It describes key trends in economic activity and pricing processes in Russian regions, as well as the identified effects of both country-wide and local factors. All this is an integral part of the information the Bank of Russia's management needs to make monetary policy decisions. This Report is considered by the Bank of Russia's management in the course of preparations for making key rate decisions.

¹ In October 2023, we surveyed 14,422 companies.

RUSSIAN FEDERATION

A large number of industries recorded a rise in output in August–September. Competition for labour resources remains high. Consumer activity in most regions continued to go up, although slightly more slowly in September. Price growth accelerated, fuelled by higher demand and companies' costs, including for labour, coupled with the earlier weakening of the ruble. The demand for corporate and retail loans stayed high in August, but its expansion started to slow down in September, according to assessments.

Economic activity continued to trend upwards in the majority of industries. North-Western and Ural machine-building enterprises were ramping up output to meet steadily growing domestic demand. The rise in construction projects associated with the implementation of large investment projects increased the demand for trucks (see the Box *'Industry focus. Truck market'*). The increase in sea transportation by domestic shipping companies (particularly in the Far Eastern and the Azov and Black Sea basins) in August–September contributed to the expansion of the output of ships and construction of transport infrastructures. According to preliminary estimates, the total yield of some agricultural crops this year will be close to the record highs of 2022 (see the Box *'2023 harvesting: preliminary results and food price changes'*).

The deficit in the labour market persisted. Businesses were still facing staff shortages. As a result, wage growth rates remained high. To retain employees, companies have been developing and expanding staff motivation and incentive programmes.

Consumer activity continued to go up in August–September, although more slowly in September. Sales of durables increased, due to both higher wages and rising inflation expectations, coupled with still highly affordable consumer loans. In these conditions, the retail areas that had become vacant after the exit of certain foreign brands were being gradually taken up, as before. The expanded tourist flow increased traffic in shopping and entertainment centres and in restaurants and cafés in a large number of regions.

The monthly increase in consumer prices sped up (seasonally adjusted) in September, notably exceeding 4% in annualised terms. Price growth was still fuelled predominantly by rising consumer demand and companies' costs, including for labour, as well as the pass-through of the earlier ruble weakening to prices. Businesses in most large industries raised their price expectations to the highest level since April 2022. Households' inflation expectations went up as well.

The demand for corporate and retail loans stayed high in August, which was mostly associated with borrowers' desire to raise loans under the applications approved before the increase in market rates. The number and amount of mortgages in the retail segment hit record highs. According to recent estimates, the demand for loans slowed down somewhat in September. Although banks had raised deposit rates, the increase in households' propensity to save was still quite insignificant (see the Box *'Monetary conditions and credit and deposit markets'*).

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. The expansion of demand is decelerating, but consumer activity remains high, exceeding the levels of 2021. Companies' price expectations remained nearly the same in the federal district, in contrast to the continuing upward trend in the country in general. Economic activity in the industrial sector increased, especially in the Bryansk, Yaroslavl, Kursk and Smolensk Regions, mainly driven by manufacturing. As the demand had shifted towards holidays inside Russia, the value of tourism and related services trended upwards.

NORTH-WESTERN MAIN BRANCH. Consumer activity continued to go up. Machine-builders were ramping up output to meet expanded domestic demand. Moreover, output growth rates were higher than across the country in general. Shipbuilders' capacity utilisation rates exceeded the Russian average. Fish output contracted, including due to lower cod fishing quotas, in contrast to the overall upward trend in the country.

VOLGA-VYATKA MAIN BRANCH. Consumer activity continued to increase, supported by faster wage growth than generally in Russia. Due to preventive maintenance, regional refineries reduced their petrol and diesel output. Contrastingly, their output in Russia in general expanded. Motor fuel exports increased in August, in annualised terms.

SOUTHERN MAIN BRANCH. Consumer activity continued to rise, surpassing the pace recorded across the country, including due to the growing tourist flow. As freight traffic flows were redirected to the South, freight traffic in seaports was increasing faster than generally in Russia. Food enterprises became more optimistic about output because of better expectations about the harvest of the agricultural crops that are the main commodities for processing.

URAL MAIN BRANCH. Consumer activity remained high, although its growth slowed down in September, according to assessments. Machine-builders continued to ramp up the output of innovative and import-substituting products. Oilfield service companies reported higher demand for minor and overhaul repairs of equipment. Housing construction was expanding more quickly than across Russia in general, driven by higher demand for homes and active use of integrated territory development programmes.

SIBERIAN MAIN BRANCH. Consumer activity growth decelerated. Performance in the industrial sector was worse than generally in the country, which was due to manufacturing, namely a decline in metallurgical enterprises' output. Growth rates in construction were below the Russian averages, which was because the construction of a number of large industrial and transport infrastructures had been completed in late 2022–early 2023.

FAR EASTERN MAIN BRANCH. Consumer activity growth slowed down in September. The main factor causing a deviation of annual inflation from the Russian average was rising prices for cars as one of Asian countries had imposed restrictions on the import of used cars to Russia. Growth in mining and quarrying was the reason why output in the industrial sector was increasing faster than across Russia in general. Rising demand from Asian countries, combined with the ruble weakening, contributed to the expansion of coal output.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western FD	Volga- Vyatka FD	Southern FD	Urals FD	Siberian FD	Far Eastern FD
MBs' percentage in inflation	%	2023	100	34	11	12	14	13	11	5
Inflation	% YoY	Sep23	6.0	6.1	5.9	5.9	6.7	5.0	6.6	7.1
Core inflation	% YoY	Sep23	4.6	4.8	4.3	4.4	4.9	3.2	4.7	6.5
Industrial production	3MMA, % YoY	Aug23	5.4	14.9	7.3	10.8	7.2	2.4	-1.1	9.9
Fixed capital investment	Cumulative, % YoY	2023 Q2	7.6	4.0	3.2	11.9	21.3	1.3	7.9	23.6
Construction	3MMA, % YoY	Aug23	8.5	8.2	6.4	15.4	1.6	7.2	2.2	34.8
Housing commissioning	3MMA, % YoY	Aug23	6.9	-4.4	20.8	7.0	19.6	7.5	3.5	10.9
Retail	3MMA, % YoY	Aug23	10.7	12.0	12.0	10.8	10.3	14.5	11.7	6.1
Commercial services	3MMA, % YoY	Aug23	5.1	7.3	3.2	5.0	3.3	4.7	4.7	1.4
Real wages	3MMA, % YoY	Jul23	11.0	9.8	10.0	13.6	10.3	13.0	11.7	6.9
Real disposable income	% YoY	2023 Q2	5.0	8.4	6.3	9.9	8.1	10.0	10.0	4.8
Unemployment	% SA	Aug23	3.1	2.4	2.6	2.3	5.2	2.4	3.7	2.7
Outstanding consumer loans ²	% YoY	Aug23	16.0	15.7	14.2	16.1	17.5	15.9	16.9	15.1
Outstanding mortgage loans	% YoY	Aug23	26.9	22.2	20.2	27.6	40.4	29.2	29.9	30.0
Funds in escrow accounts	% YoY	Aug23	23.1	20.6	14.3	15.6	56.5	24.3	37.7	26.4
Non-financial organisations' outstanding bank loans	% YoY	Aug23	25.4	23.2	46.7	15.1	30.1	18.0	22.8	29.9
• Large borrowers	% YoY	Aug23	24.6	23.0	48.9	9.2	24.1	13.6	23.7	33.7
• SMEs	% YoY	Aug23	29.2	24.4	36.0	29.5	42.3	42.4	20.1	14.9
Companies' price expectations ³	Balance of responses, SA	Oct23	24.3	33.1	27.1	31.7	23.3	24.7	31.2	22.2
Business Climate Index	SA, pp	Oct23	6.2	8.2	3.5	7.9	7.1	8.3	9.0	8.7
• Current estimates	SA, pp	Oct23	-0.4	0.5	-2.6	1.1	0.5	2.2	1.6	1.1
• Expectations	SA, pp	Oct23	13.0	16.3	9.8	15.0	14.0	14.5	16.6	16.6

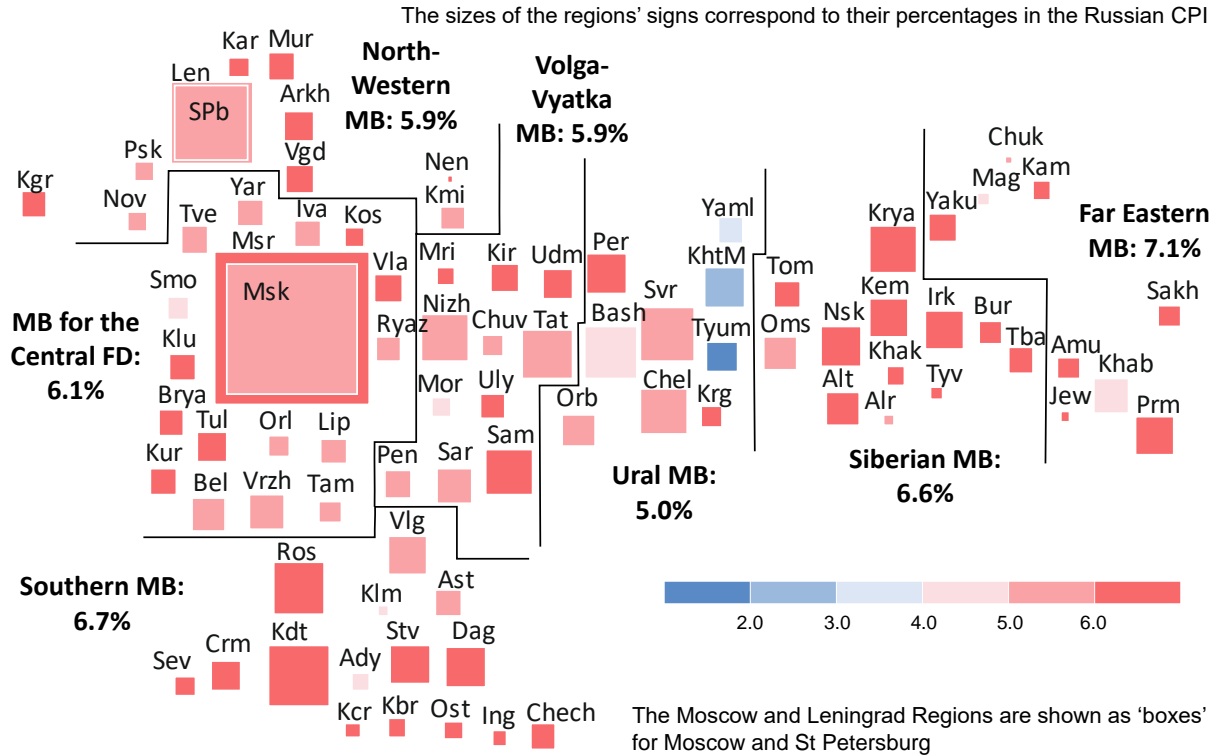
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

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

INFLATION IN RUSSIAN REGIONS

Price growth in September 2023, % YoY



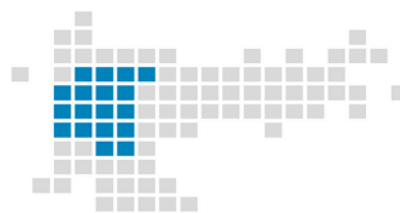
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity in the macro-region stayed high in August–September. The expansion of the tourist flow pushed up the demand for services. Consumer prices continue to go up amid the stabilisation of companies' price expectations. Some companies prefer not to raise investment loans, whereas still demonstrating high demand for loans to finance their current operations. Businesses have been implementing additional measures to hire and retain employees, in particular corporate housing programmes. Auto manufacturers are restoring output and expanding their model range.

CONSUMPTION AND INCOMES. In August, consumer demand in Central Russia exceeded the level of 2021, which was associated with a further rise in the demand for services and continuing realisation of pent-up demand for non-food goods. According to recent data, consumption growth slowed down in September owing to more moderate demand for expensive goods, specifically new foreign-made cars, furniture, and jewellery. The expansion of the tourist flow had a positive effect on the services and public catering sectors. As reported by a public catering network, the number of visitors rebounded to the level of 2021. The Lipetsk, Tambov, Tula, Moscow and Smolensk Regions recorded higher demand for weekend tours. According to household surveys, people's propensity to save increased in September, while more respondents preferred to postpone large purchases. Retailers improved their short-term expectations about demand owing to the longer holiday season amid the good weather and the events dedicated to historical dates. Consumer demand is supported by the indexation of wages in the public sector and a number of industries, as well as the expansion of social support programmes.

PRICES. Annual inflation and monthly price growth (seasonally adjusted) continued to accelerate in the macro-region in September, predominantly due to still high consumer activity and the ruble weakening. The main driver was the services sector, specifically tourism, passenger transportation, personal services, education and telecommunications. According to Rosstat's weekly data, the growth rates of prices for fruit and vegetables, eggs, meat products, bread, medicines, cars and household appliances, as well as airfares remain high in October. After the three-month increase, companies' price expectations stayed nearly the same in October, although they slightly declined in trade, the industrial sector and agriculture, while remaining close to the peaks since April 2022.

LABOUR MARKET. The demand for labour in the macro-region stayed high in July–August, whereas unemployment dropped to a record low. Staff shortages adversely affect the performance of some companies. Thus, a wholesale company in Orel delays goods shipments to shops because of a critical deficit of warehouse workers. The macro-region's enterprises are taking all possible measures to address the problem of staff shortages. In addition to higher wages, some companies are implementing corporate housing programmes for their employees. By September, a large agroindustrial holding company built two cottage villages in the Belgorod Region and provided apartments in the Bryansk and Kursk Regions to employees from other regions. The Kursk,

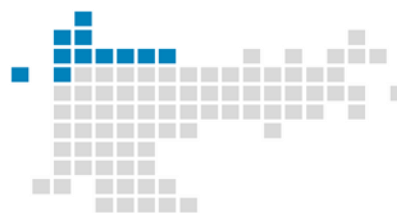
Smolensk and Yaroslavl Regions launched projects to establish production and educational clusters where students can learn and work simultaneously. Besides, companies hire pensioners and consider opportunities for wider involvement of people with disabilities.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth of the corporate loan portfolio slowed down as of early September, although staying close to multi-year highs. According to banks' assessments, large businesses' demand for new loans remained the same in 2023 Q3, whereas small and medium-sized enterprises decreased their demand due to tightened price lending conditions and temporary suspension of subsidised programmes for agricultural companies. Credit institutions reported that some businesses preferred not to raise investment loans. Contrastingly, the demand for loans to finance current operations remained elevated. The retail loan portfolio expanded in August, which was largely associated with a faster increase in mortgage loans, predominantly for new housing. The rise was driven by more attractive government subsidised lending programmes amid higher inflation expectations and tightened conditions under market programmes. Banks recorded an increase in new consumer loans. The rise in the recycling fee, higher interest rates, and the ban on car supplies imposed by certain countries entailed a decline in the demand for car loans as compared to July. The inflow of households' funds into banks accelerated in August. Concurrently, people were transferring their funds from current accounts to time deposits at higher interest rates. As nominal interest rates on short-term deposits went up more noticeably, their proportion in household deposits with banks expanded.

PETROLEUM PRODUCTS MARKET. Output of refineries in Central Russia expanded over January–August 2023 to exceed the figures of the previous year. Nevertheless, one of the refineries considerably reduced its diesel fuel output because of preventive maintenance. The macro-region's refineries are upgrading their facilities in order to increase the oil refining depth, expand the range of their products, and enhance their performance. Wholesale and retail prices in the macro-region, just as in Russia in general, were rising until September, which was associated with higher global prices and a weaker ruble. After the Russian Government introduced the temporary ban on petroleum product exports, wholesale prices for petrol and summer diesel fuels significantly decreased. During the last week of September, filling stations in most Central Russia regions also started to reduce prices.

AUTOMOBILE MARKET. The federal district failed to restore the output of cars to the levels of 2021 (the output over January–August 2023 totalled 75,000 cars, which is 2.7 times less than over the first eight months in 2021). The structure of output has changed across brands: a number of automobile plants previously assembling cars of European and some Asian brands are now idle, whereas enterprises assembling cars of Chinese and Russian brands are ramping up output. The expansion of output and the model range of the macro-region's manufacturers was boosted mainly by a steady rise in the demand for cars. An automobile plant in Tula reports maximum utilisation rates of its capacities and expects that the number of vehicles to be produced this year will be almost 2.5 times higher than in 2022. A Lipetsk-based electric car manufacturer released the fifth model, thus expanding its product range. An automobile plant in Moscow launched full-scale production of the third car model and its main conveyor, which more than doubles the performance of its assembly shop, as well as began the preparations to start CKD assembly at the end of 2023.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region continued to go up in August–September. Machine-builders reported a sufficiently large number of current orders and positive expectations about output. The shipbuilding industry has been increasing the local content of production. To reduce their dependence on imported fish feeds, the macro-region's enterprises are implementing projects to establish domestic production facilities. Companies raised their price expectations mainly due to higher costs for raw materials and components.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region continued to trend upwards in August–September. The growth rates were comparable with those recorded in the previous months. Traffic in Saint Petersburg shopping malls over this period exceeded last year's figures, which had a positive effect on sales. Traffic increased because companies continued to take up the retail areas available after the exit of certain foreign brands, among other factors. According to real estate market experts, the average vacancy rate in Saint Petersburg shopping malls edged down from 10% as of early 2023 to 7% as of the end of September. The North-West continues to open centres selling cars of Asian brands. Service companies became more optimistic about future demand. The expansion of the tourist flow to the macro-region was an additional factor supporting demand. In particular, the average occupancy rate of Kaliningrad hotels rose in 2023 to reach the highest level in Russia.

PRICES. Annual inflation in the macro-region sped up to 5.9% in September. Monthly price growth (seasonally adjusted) accelerated as well. This rise was associated with higher consumer demand surpassing the capacities to expand supply, as well as the ruble weakening. Specifically, the non-food segment recorded a faster increase in prices for cars and communication devices. Companies in most industries raised their price expectations in October, primarily because of higher input prices for raw materials and components, as well as more expensive fuels and lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth rate of corporate lending was up in August, still exceeding the Russian average. Expecting a tightening of the terms of subsidised mortgage lending programmes (namely, an increase in the down payment from 20 September) and a rise in market rates, households in the North-West demonstrated considerably higher demand for subsidised mortgages in August–September. Lending under the IT Mortgage programme increased most notably. Thus, according to assessments, the amount of new loans issued in Saint Petersburg in September surged by more than 40% compared to August. The mortgage market is expected to cool down somewhat in 2023 Q4, including because of the tightening of lending requirements in response to the Bank of Russia's macroprudential measures.

MACHINE BUILDING. North-Western machine-building companies have a sufficient number of orders amid high and still growing domestic demand. In August, a large enterprise in the Republic of Karelia completed the order for the manufacture of components for new-type ship engines that had never been produced in Russia before. A plant in the Pskov Region launched the manufacture

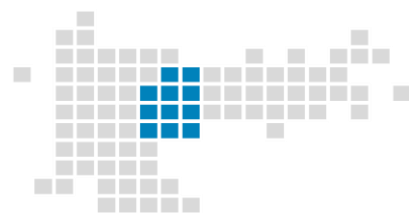
of traction motors for electric trains previously purchased abroad. According to the surveys, machine-building enterprises in the macro-region expect an increase in output in the next few months. Novgorod manufacturers of pipeline valves for the oil, chemical, gas and nuclear industries are expanding their production facilities to fulfil the growing number of orders and planning to export their products in the future. In September, a company in the Leningrad Region launched a complex manufacturing petroleum semi-trailers. However, the industry is experiencing staff shortages. To hire and retain employees, companies have been mostly raising wages.

SHIPBUILDING. Utilisation rates of North-Western shipbuilders' capacities remained high in 2023 Q3 due to elevated domestic demand. Companies continued to actively hire new employees and develop import substitution. Specifically, a ship repair yard in the Arkhangelsk Region launched the manufacture of propulsion units for various types of ships. The share of Russian equipment and components for ship manufacturing increased. Thus, a shipbuilder in the Vologda Region launched a new barge constructed solely of domestic materials. A Kaliningrad-based enterprise commissioned a passenger ship for river tourism assembled mostly of domestic components. A Saint Petersburg shipyard continues the construction of two nuclear icebreakers with the local content in equipment already exceeding 90%. However, certain companies in the macro-region reported delays in ship building because of the need to redesign ships for using domestic ship equipment. Higher demand promotes the upgrade and expansion of North-Western shipbuilders' and ship repair yards' production capacities.

FISHING AND FISH PROCESSING. Fish output in the North-West slightly shrank as of early October year-on-year. Specifically, lower quotas caused a decline in cod fishing, whereas sprat and Baltic herring fishing increased. Fish breeding enterprises are still highly dependent on imported feeds. In view of this, the macro-region is implementing a number of large projects to establish import-substituting production facilities. In particular, the Republic of Karelia is constructing two plants that will supply compound feeds for fish to Karelian enterprises and trout farms in other Russian regions. The Leningrad and Novgorod Regions also plan to launch facilities manufacturing feeds for aquaculture in 2024. The macro-region increased fish and seafood processing in August. North-Western enterprises supplied their products to the domestic market and actively exported them to Europe, Asia, and the Middle East. Companies continued to expand the geography of their supplies, enter new target markets, and ramp up production capacities. Thus, the Murmansk Region launched an Atlantic salmon processing plant in September.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



Expecting prices to grow further, consumers continued to demonstrate high demand for durables in August–September. As before, unemployment trended downwards, whereas wages were up. Consumer lending declined in September, including because of tightened price conditions. Companies raised their price expectations.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region continued to grow in August–September. Sales of home improvement goods expanded. The demand for electronic devices and household appliances stayed high as households expected prices to rise further. Car sales continued to increase as well. The demand for car repair services remained especially high, although some companies complained about a deficit of spare parts. Non-food consumption already notably exceeded the pre-crisis level of 2021 Q4, whereas its figures across the country in general only approached this level. Consumer activity was supported by high wage growth rates that also surpassed the Russian average. Nevertheless, retailers' expectations about demand for the next three months became more moderate in September. Over the last few months, the demand for tourism services, especially foreign travel, decreased due to the ruble weakening and the subsequent rise in tour prices. Moreover, turnover in public catering continued to contract.

PRICES. Monthly price growth (seasonally adjusted) sped up in September. Annual inflation accelerated as well. In the first place, this was associated with a fast rise in volatile prices for food, specifically vegetables and eggs. Furthermore, prices for dairy products resumed growth after a long-lasting decline. More expensive communications and foreign travel were another important factor accelerating inflation in September. Non-food price growth slowed down, while remaining fast. Motor fuel prices also put significant proinflationary pressure in September, but started to adjust downwards in the first half of October. Businesses' price expectations, including in retail, continued to rise in September and stayed high in October.

LABOUR MARKET. Unemployment continued to edge down, hitting a new record low. The demand for labour remained high, although its growth slowed down. Staff shortages were especially acute at enterprises fulfilling government contracts. In addition, some Volga-Vyatka regions reported a significant deficit of employees in public catering. As competition for labour resources increased, wages continued to grow. Thus, a large industrial enterprise in Mordovia raised wages already two times this year and expanded the social support package. Only thus, the company was able to fill a large number of vacancies. Some businesses were addressing the problem of staff shortages by hiring migrants. However, due to the ruble weakening, labour migrants from other countries now find it less profitable to work in Russia.

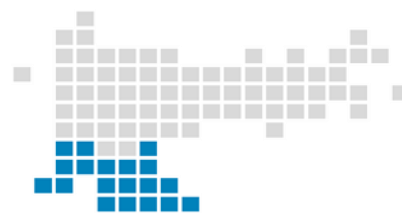
MONETARY CONDITIONS AND BANKING SECTOR. The annual growth of outstanding corporate loans slowed down in August. According to the results of the monitoring of businesses over August–September, banks tightened corporate lending terms. Banks estimated that the demand for corporate loans slightly declined over the last two months. Retail lending, especially mortgages,

surged in August. The monthly growth of outstanding mortgages reached its highest level over the last few years. Recent data show that mortgage lending continued to expand in the first half of September as households expected lending terms to be tightened even more. The increase in consumer lending was also significant in August, and the amount of issued loans was up. However, recent data suggest a decline in issued loans in September. The structure of households' funds with banks changed in August due to rising interest rates on deposits, especially those with maturities from one to three months. In particular, the share of short-term deposits edged up, whereas the percentage of long-term deposits and demand accounts declined.

PETROLEUM PRODUCTS MARKET. The output of petrol and diesel fuel in the macro-region contracted in August month-on-month. Commodity supplies to refineries also decreased in September, which was mostly associated with preventive maintenance simultaneously at several refineries of the macro-region. Conversely, petrol and diesel exports expanded in August, surpassing the level of the same period in 2022. Besides, some large refineries reported elevated demand for fuels from wholesale buyers. In certain cases, businesses complained about disruptions in supplies caused by high utilisation rates of railway infrastructure and a deficit of the rolling stock. In the second half of September–early October, railway supplies of petrol and diesel abroad contracted, which was due to the temporary restrictions on fuel exports imposed by the Russian Government, among other reasons. Concurrently, enterprises noted stabilisation of domestic demand and supplies, while wholesale prices for Volga-Vyatka refineries' products declined.

LIVESTOCK PRODUCTION. Volga-Vyatka recorded an annual increase in livestock production in recent months. The growth of beef and pork meat production was driven by an increase in the cattle and pig population and implementation of investment projects aimed at expanding the capacities. Thus, the Nizhny Novgorod Region launched two pig breeding complexes in spring, and the Republic of Udmurtia completed the construction of robotic facilities for cattle. However, the poultry population and the output of slaughter poultry declined in July–August below the figures of 2022, which was associated with the worsening of the epizootic situation, reconstruction of poultry breeding facilities, and poultry restocking. Livestock breeding companies expect a rise in prices for their products due to higher costs for imported feeds pushed up by the ruble weakening. Nevertheless, the macro-region is developing the production of domestic feeds. Thus, over the past few months, the Nizhny Novgorod Region commissioned a compound feed plant, and the Republic of Mari El completed the reconstruction of the existing plant launching an additional production line there.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Consumer activity in the macro-region continued to trend upwards in August–September, driven by a faster increase in the tourist flow, among other factors. Higher demand and a weaker ruble exacerbated inflationary pressure. Food manufacturers were ramping up output by expanding their production capacities and deploying new technologies. The redirection of freight traffic flows to the South increased freight traffic in Southern seaports and helped develop logistics.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer activity continued to go up in August–September. The demand for non-food goods in the macro-region was rising most quickly. Specifically, furniture stores in the Volgograd Region sold the goods that had not been purchased for months. Retailers were adjusting to higher demand. Thus, Magas (Ingushetia) started the construction of a shopping and entertainment centre to include both restaurants and retail points of sale. The deficit in the labour market persisted. The shortage of qualified personnel was most acute. To address this problem, companies did not only raise wages, but also carried out trainings for new staff and retrained existing employees. In particular, 25% of the employees of a large machine-builder in the Astrakhan Region already received an additional qualification in a related area at the company’s training centre.

PRICES. Consumer price growth in the macro-region sped up in September, in both annualised and monthly terms (seasonally adjusted). As before, the ruble weakening and more expensive logistics were pushing up businesses’ costs and prices for products with a high import content. Thus, the main factor influencing the inflation rate was a faster rise in prices for fruit and meat products (including due to increased producers’ costs for feeds, labour, and equipment purchases, maintenance and repairs). Moreover, rising consumer demand coupled with the pass-through of the ruble weakening that had occurred in the summer months entailed a faster increase in non-food prices, namely for smartphones, pharmaceuticals, and new and used foreign-made cars. Companies’ price expectations went down in October, while remaining elevated.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth of the retail loan portfolio sped up in August. The amount and number of mortgages issued in the macro-region exceeded the peaks of December 2022 by 16%. Banks reported that the elevated demand for loans in August–September was predominantly associated with borrowers’ desire to raise funds under the applications approved before the tightening of price conditions and changes in the subsidised mortgage programme requirements. According to credit institutions, the demand for corporate loans, including investment ones, edged down slightly in September, which was explained by higher interest rates and the exhaustion of the subsidised lending limits set for agricultural enterprises. The annual growth of households’ funds with banks slowed down in August. Besides, people were transferring the funds from current accounts to short-term deposits. According to recent information,

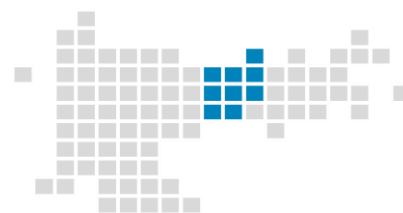
the inflow of households' funds into credit institutions increased slightly in September compared with the previous month.

TOURISM. The tourist flow in the macro-region in September exceeded the figures recorded over the same period last year. The most significant increase was reported by the North Caucasus where the occupancy rate at the health resort and tourist complexes during the mild season was higher than last year, reaching nearly 85%. The demand for health resorts was especially high. In particular, companies in the Stavropol Territory recorded full occupancy of available rooms and expect that occupancy rates will remain the same until the end of autumn. Specialised cultural and leisure events were another contributor to the expansion of the tourist flow. Thus, the festival in Kuban held for the first time in Russia within the national project 'Tourism and Hospitality Industry' was attended by more than 40,000 visitors over a week. The Volgograd Region plans to establish a historical and cultural tourist complex on a group of islands of the Volga River.

LOGISTICS. As before, the redirection of freight traffic flows was boosting turnover in Southern seaports. Turnover in the Black Sea and Caspian basins surged by over 20% in September year-on-year, including as a result of the modernisation of the seaport infrastructure. Specifically, the Astrakhan Region is dredging the Volga-Caspian Sea Shipping Channel, which will ensure smooth transportation and considerably reduce ship grounding risks. Furthermore, the macro-region is developing both the seaport and logistics infrastructures. The Republic of Dagestan started designing a new highway to the commercial seaport, which will help increase its throughput capacity by a third, organise a convenient transport scheme, and arrange temporary storage facilities. The Volgograd Region opened a distribution centre to support regular goods supplies to more than 400 stores of the Volgograd and Astrakhan Regions and provide services to nearly 400 suppliers, including 90 regional ones.

FOOD INDUSTRY. Southern food manufacturers became more optimistic about output in September. Output was boosted by increased agricultural supply, as well as the launch of new production lines and the expansion of the product range. Thus, the Stavropol Territory opened a confectionery that will cover demand in both the Stavropol Territory and the neighbouring regions. Some companies were deploying lean technologies in order to enhance their business processes. In particular, a sunflower oil manufacturer in the Krasnodar Territory increased output by over 10% by implementing a new tool helping reduce the time for oil filtration and labelling by the staff. However, companies complained about a faster rise in costs, including because of the ruble weakening. Meat processing enterprises in the Rostov Region have to raise prices for their products due to higher costs for raw materials, species, and imported equipment.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer activity in the Urals increased in August–September. The demand for corporate and retail loans declined in September, whereas the inflow of funds into deposits surged. Businesses' costs continued to rise, including because of higher wages and a weaker ruble. Business and investment activity in machine building stayed high, although the overall growth of the output of investment goods slowed down slightly. Oil production remained unchanged, whereas oil refining contracted somewhat due to the decisions to reduce exports. The demand for housing was up, with retail lending growing to a record high.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer activity continued to trend upwards in August–September. Consumers increased spending on home improvement goods, communications, and entertainments. Some regions reported a rise in shopping mall traffic. Vacant areas were gradually filled by new lessees. However, purchases became slightly less diverse. Sales of foreign-made cars in the Urals in general increased over August–September compared to June–July. Nevertheless, businesses recorded some signs of a slowdown in consumption growth. Retailers and service companies became less optimistic about demand. Estimates of the market situation worsened. The number of respondents complaining about rising costs and business risks continued to go up. As before, most surveyed enterprises reported an acute deficit of qualified personnel, while the number of vacant jobs in employment agencies decreased.

PRICES. Monthly price growth (seasonally adjusted) in the Urals continued to accelerate in September. Annual inflation sped up to 5%. Price growth trended upwards due to relatively high consumption, which enabled manufacturers and suppliers to pass through rising costs to prices. According to most respondents, higher costs were associated with the ruble weakening and increased cargo transportation prices due to more expensive motor fuels. Ural enterprises' price expectations for the next three months (seasonally adjusted) remained elevated in August–September in the majority of industries except agriculture. Moreover, wholesale and retail companies even notably increased their price growth expectations.

MONETARY CONDITIONS AND BANKING SECTOR. Most banks raised credit and deposit rates in August–September. According to banks' estimates, the inflow of funds into time deposits soared, while the tightening of price conditions slightly cooled down the demand for corporate loans. As reported by banks, the demand for consumer loans edged down somewhat in September, which was associated with the tightening of the requirements for borrowers' financial standing, among other reasons. Mortgage lending expanded in August–September, with new loans for housing purchases and construction hitting record highs. Many consumers signed agreements under earlier approved applications within subsidised programmes, the conditions of which changed as late as the end of September (namely, the down payment increased). Banks expect households' demand for both consumer and mortgage loans to decline gradually in 2023 Q4.

OIL PRODUCTION AND OILFIELD SERVICES. According to estimates, oil production remained nearly the same in September month-on-month. Some large oil enterprises expanded exports by

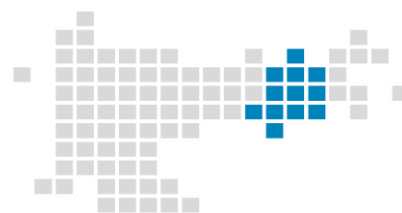
sea and reported high utilisation rates of their production capacities. Commodity supplies to Ural refineries stayed at the level recorded in August. Respondents filled in their storage facilities by early October, which complicates the transition to the production of winter diesel fuels. Companies shortened the forecast horizon of their production targets due to the temporary ban imposed on the export of petroleum products. Nevertheless, oilfield service companies reported an increase in orders for minor and overhaul repairs of operating oil wells. Participants in the Tyumen Oil and Gas Forum held in September especially focused on signing agreements on investment projects aimed at substituting imported drilling and hydrocarbon production equipment.

MACHINE BUILDING. In 2023 Q3, machine-builders continued to ramp up the output of innovative and import-substituting products, including oil and gas equipment, oilfield service equipment, special-purpose motor vehicles, electric equipment, and electronic items. Thus, the Republic of Bashkortostan started to design equipment for automobile gas distribution and compressor stations, and an aircraft enterprise expanded the range of manufactured items. Plants in the Chelyabinsk Region designed a modular electric platform for trucks and launched series manufacture of battery-assisted trolleybuses with increased battery capacity. A machine-builder in the Kurgan Region developed a range of street sweepers for the utilities sector. These hybrid multi-purpose vehicles are currently being tested. In September, the Kurgan Industrial Park opened an aluminium casting facility to make items for street lighting. A hydraulic press manufacturer in the Orenburg Region raised a subsidised loan for upgrading its facility. By the end of the year, the enterprise plans to ramp up its output and launch the manufacture of higher capacity equipment.

HOUSING MARKET. Housing construction in the Urals increased in August–September, exceeding the Russian average. The high growth rates were associated with the use of development instruments (infrastructure bonds, land auctions, etc.) and the implementation of projects by major federal developers in the largest regional centres. Until the end of 2023, the Republic of Bashkortostan plans to double the number of its integrated territory development projects. Preparations for the construction and installation of utilities are financed from the funds raised under the federal programme Stimul and infrastructure budget loans. However, developers complained about soaring costs due to more expensive reinforcements and cement. In August–September, the demand for both new and existing housing in the macro-region increased. The amount of funds in escrow accounts surged. Loans under the main government subsidised programmes (Subsidised Mortgage, Family Mortgage, and IT Mortgage) accounted for more than 50% in the total amount of issued mortgages. The number of offers for selling both new and existing housing plummeted, while price growth sped up.

BANK OF RUSSIA SIBERIAN

MAIN BRANCH



In August–September, economic activity in Siberia stayed at the level of the previous two months. The situation in coal production and oil refining remained stable. The contraction in the output of pharmaceuticals was temporary and associated with structural transformation processes. Consumer activity became more moderate, and its growth slowed down, whereas households' incomes continued to rise quickly.

CONSUMPTION AND INCOMES. In August–September, businesses became more moderate in their estimates of consumer activity. Travel agencies in the Republics of Altai and Khakassia noted a decline in demand, which was not typical for the season, and a subsequent deceleration of the growth of retailers' and hotels' performance. Medium-price apparel and footwear stores complained about low demand for autumn and winter collections. Regional pharmacy networks reported a reduction in buyers' spending on more expensive imported medicines and their substitution for cheaper Russian alternatives. Large car showrooms in the Krasnoyarsk Territory and the Irkutsk and Novosibirsk Regions expect the demand for cars to cool down due to the increase in prices associated with the rise in the recycling fee and the ban on the import of certain Asian brands to Russia imposed by a number of countries. The problem of staff shortages persists. Employers continue to raise wages in order to retain personnel.

PRICES. Consumer price growth in Siberia sped up in September 2023, in both annualised and monthly terms (seasonally adjusted). As in the previous month, the pass-through of the earlier ruble weakening to prices was the main factor of the acceleration. A gradual rise in prices for most items was reported by auto dealers, retailers of electronic devices, household appliances, communication means and construction materials, pharmacy networks, and fruit and vegetable suppliers. Meat and milk processors raised output prices because of higher costs for imported components, spare parts, packing, and transportation. Most Siberian enterprises, especially in trade and manufacturing, expect price growth to accelerate in the next three months. The main reasons are higher prices for raw materials, components, fuels, and lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. Despite higher interest rates, credit activity in the retail segment remained high in August–September 2023. Banks reported an increase in households' demand for mortgage and consumer loans. Besides, household loans were issued predominantly under earlier approved applications. Corporate lending dynamics were more moderate in August–September compared to the previous two months. In 2023 Q4, banks expect the demand for loans to edge down in all categories of borrowers.

COAL MINING. Siberian coal enterprises reported that the demand for coal both in the domestic market and from foreign partners remained high in August–September. However, many companies in the industry complained about problems with shipments because railway and port capacities of the Eastern infrastructure were insufficient to fully meet coal producers' needs. Coal supplies through Western seaports increase prices and reduce margins considering the current level of global prices.

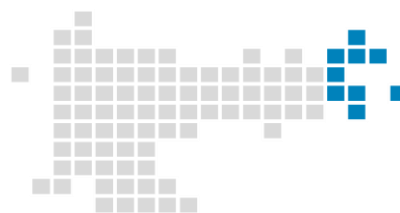
Despite logistics issues, most Siberian enterprises are operating as normal. Surveyed companies are deploying new equipment, purchasing new machines, and implementing environmental projects. A major Siberian metallurgical coal producer started the development of two new coal projects over the last month alone. Jointly with Asian partners, the enterprise is implementing a new large-scale investment project.

OIL REFINING. Oil refineries in the macro-region reported a decline in output over June–August 2023 (by 10% year-on-year on average). This was associated with preventive maintenance at three large Siberian refineries. In September, petroleum products were manufactured according to targets. Shipments were stable, and their level returned to the averages recorded in January–May 2023 (+8% year-on-year). Growth was ensured by both Siberian branches of large Russian vertically integrated oil companies and independent petroleum product manufacturers. The former increased output owing to extensive modernisation of production facilities. Thus, during the third ten days of September, one of the Siberian refineries commissioned a new complex for primary oil refining to manufacture petrol, diesel fuel and jet kerosene. According to an independent oil refinery, output was boosted by the launch of new production facilities and expanded supply of crude oil. The latter factor helped the refinery to restore output at the facilities that had been idle due to a deficit of crude oil.

PHARMACEUTICALS. Over the first eight months, the output of pharmaceuticals shrank by 9% year-on-year. The reduction was caused by the rearrangement of logistics chains and difficulties associated with substitution for new suppliers of substances, components and equipment. Nevertheless, Russian manufacturers start to fill the market niches becoming vacant due to disruptions in the import of foreign medicines and higher prices for them. Specifically, a large Siberian pharmaceutical enterprise replaced a production line for a more modern one, planning to launch it at the beginning of 2024. This will expand the range of its products, including import-substituting items. Another regional pharmaceutical company is going to offer up to 60 new medicines in the market this year. The company's strategy for the next few years is based on the substitution of imported medicines. Another enterprise plans to expand the output of pharmaceutical substances for anti-tumour medicines and launch the manufacture of bronchodilators next year. The largest Russian manufacturer of dietary supplements also operates in Siberia. After Western manufacturers and online platforms had exited the Russian market, the company became nearly the only supplier of dietary supplements in Russia. It reports a considerable increase (nearly fourfold over 2022) in contract manufacturing of dietary supplements of its own trademarks for Russian pharmacy networks. As of the end of 2023 H1, the company doubled its online sales year-on-year and became a leading supplier of dietary supplements on the largest Russian marketplaces.

BANK OF RUSSIA FAR EASTERN

MAIN BRANCH



Consumer activity in the macro-region continued to trend upwards in August, although its growth slowed down somewhat in September. Households' demand for cash loans and credit cards increased. Price growth accelerated due to higher consumer demand and a weaker ruble. Industrial enterprises continued to increase output, primarily by ramping up production. High demand from domestic and Asian buyers boosted coal output. The range of items imported through land border crossing points was expanding.

CONSUMPTION AND INCOMES. Consumer activity was rising in September, although more slowly than in August. According to a food retail chain in the Primorye Territory, consumers' demand shifted to cheaper items. Contrastingly, a large meat processing enterprise in Kamchatka reported that the increase in the demand in the premium segment that had started in July continued in August–September as well. As reported by a travel agency in the Khabarovsk Territory, the demand for foreign travel was up in September month-on-month, despite higher prices. Public catering companies in a number of regions recorded a rise in the overall number of orders, including for delivery, in September as compared to the previous month. The demand for public catering services in the Primorye Territory was additionally boosted by the Eastern Economic Forum. Surveyed businesses in retail and services became less positive in September about future demand, as compared to August.

PRICES. Annual inflation and monthly price growth (seasonally adjusted) continued to accelerate in the macro-region in September due to the pass-through of the ruble weakening to prices and rising consumer demand. Price growth sped up across a wide range of goods and services, predominantly fuelled by a faster rise in prices for trips to certain foreign countries. Conversely, the effect of some temporary factors weakened. Thus, the growth rate of prices for seasonal vegetables decreased, after their surge in August because of the flooding that had destroyed part of the new harvest in the Primorye Territory. The rise in prices for used foreign-made cars slowed down. After the three-month increase, businesses' price expectations remained at a similar high level in October, mostly because of more expensive fuels, raw materials and components, including imported ones, amid the ruble weakening. Companies in various industries reported that suppliers of raw materials were revising prices more frequently.

MONETARY CONDITIONS AND BANKING SECTOR. According to recent data, banks estimated lending conditions as moderately tight in August–September. Interest rates on both corporate and retail loans increased. The expansion of the corporate loan portfolio was driven mostly by lending to large businesses. Small and medium-sized enterprises' demand continued to shift to working capital loans, whereas their demand for investment loans declined. As to the retail segment, banks recorded higher demand for cash loans and credit cards, as well as a reduction in the average loan amount. The expansion of mortgage lending accelerated in August, with the amount of new mortgages hitting a record high. This was associated with the expected rise in market rates and the announced

tightening of the terms under the government subsidised programmes, including the increase in the down payment and the reduction in subsidises to banks above the subsidised interest rate. According to banks' estimates, mortgage lending continued to expand in September, driven by disbursements under earlier approved loan applications. Besides, banks reported that, owing to higher deposit rates, households' funds in time deposits continued to grow in September. The demand for deposits in Chinese yuan was up. In August, they accounted for nearly a fourth in the total amount of foreign currency deposits.

LOGISTICS. Cargo loading on the Far Eastern Railway continued to increase in September. Coal transportation hit a five-year high, which was associated with the opening of a new railway station in Yakutia within the project for establishing a logistics cluster, among other reasons. Railway container transportation increased in September to the maximum level since January. The number of container trains dispatched over 24 hours from a large seaport in the Primorye Territory hit a new high. To increase its container cargo handling capacity, a large stevedoring company purchased new equipment for operations in the port and expanded its container fleet by more than a fourth compared to April. The list of cargoes transported through border crossing points continued to extend. The import of fruit and vegetables through a border crossing point in the Jewish Autonomous Area started in September. Supplies of self-propelled machines along the automobile bridge in the Amur Region increased.

PRODUCTION AND EXPORTS OF FUEL AND ENERGY RESOURCES. Oil output on Sakhalin was growing in September, after the completion of preventive maintenance at one of the shelf projects. However, oil exports in the macro-region shrank compared to August because of repairs at the Kozmino port. One of the Asian states extended the export permit for Sakhalin oil until mid-2024. Gas output in Yakutia remained stable in August, while a gas production facility on Sakhalin increased its capacity by a fourth after commissioning a new compressor station. The macro-region expanded coal output in July–September compared to the averages of 2023 H1. The rise was driven by high demand from Asia due to tightened requirements for coal production in China. As a result, the coal price went up by 10% in September compared to the summer months, while staying about 30% lower than at the beginning of the year. Companies also reported higher domestic demand for coal, which was associated with increased electric power production in Siberia and the Far East.

CAR MARKET. Car imports through the ports in the Primorsky Territory plummeted three times in August–early September compared to July. The slump was caused by the restrictions on the import of certain categories of used cars to Russia imposed by one of the Asian countries. According to market participants, such cars accounted for up to 80% of total sales in the Far East. In September–early October, there was no deficit in cars in the macro-region owing to the record quantities of supplies over the previous months. However, the number of car sale offers nearly halved in September compared to July. Due to the contraction of supply, the ruble weakening and the increased recycling fee, prices for the car models subject to the restrictions soared by over a fourth in August compared to July, whereas prices for other models rose by 10–15%. The price growth contributed to the refocusing of demand on cars from other Asian countries, including new ones. Thus, sales of new foreign-made cars in the Far East surged nearly twofold in August–September compared to the average recorded over January–July. The rise was predominantly boosted by Chinese brands. In August, the first batch of used cars was delivered from China to Khabarovsk. In September, a plant in the Primorye Territory resumed the manufacture of cars based on a Chinese off-road car.

BOX 1

2023 HARVESTING: PRELIMINARY RESULTS AND FOOD PRICE CHANGES

According to recent data on the progress of harvesting, its pace exceeds last year's figures. The total yield is expected to surpass multi-year averages. High crop yields in the main agricultural regions offset the losses in the Eastern part of Russia caused by unfavourable weather conditions. The market situation prevents companies from passing through higher costs to output prices to the full extent. The government introduced support measures to compensate for the costs incurred by enterprises and maintain the profitability of production. The pace of autumn sowing also exceeds last year's figures. The Russian Ministry of Agriculture expects winter crop sowing to surpass the previous year's level by 15% if the current agro-climatic conditions remain unchanged. The structure of crop areas will stay nearly the same.

As of early October 2023, over 70% of crop areas were harvested, with the pace of harvesting exceeding last year's figures. Harvesting is slightly slower only in individual regions, which is explained by unfavourable weather conditions. Thus, harvesting in the Altai Territory extended by the three weeks compared to 2022.

Businesses report sufficient quantities of fertilisers and agricultural machinery that are almost the same as last year. Companies were actively using government support mechanisms, including subsidised leasing and loans, as well as grants, to renew their agricultural machinery fleets. According to agricultural enterprises in Central Russia, machines (mostly used ones) of foreign brands that had exited the Russian market were supplied using parallel import schemes, as well as substituted for Chinese, Indian, Belarusian and domestic alternatives.

In August–September 2023, agricultural companies faced a deficit of motor fuels and higher fuel prices. The government introduced additional support measures to carry out harvesting. Specifically, most regions raised subsidies for purchasing fuels and lubricants. A large producer in the Rostov Region was purchasing fuel in the Republic of Tatarstan and the Voronezh Region as its fuel inventories had ended. Along with the deficit in fuel, most agricultural enterprises complained about a shortage of personnel (primarily drivers and machine operators). To address this problem, agricultural companies were implementing programmes aimed at retaining employees, namely by raising wages, providing homes, and hiring foreigners. A popular solution was to engage locals and students in field work not requiring any special skills, e.g. vegetable harvesting.

GRAINS AND GRAIN LEGUMES. According to recent data from the Russian Ministry of Agriculture, nearly 90% of crop areas were harvested as of early October 2023. The grain harvest totalled 133.5 million tonnes (-10% year-on-year), including 94 million tonnes of wheat (-12% year-on-year). In contrast to other territories, the Southern regions completed the harvesting of grains.

The decline in harvesting in 2023 across Russia in general compared to the previous year is associated with decreased crop yields due to unfavourable weather conditions. Specifically, in August–September, the Urals and Siberia recorded higher precipitation. Moreover, in June–July, the said territories and the Volga Region experienced atmospheric drought. Nevertheless, agricultural enterprises in the Republic of Crimea and the Rostov Region hit a new high in grain

harvesting. The largest agricultural holding company in Rostov-on-Don managed to mitigate adverse weather consequences and reap the harvest owing to the use of modern technologies and efficient crop protection chemicals.

According to preliminary assessments of the quality of new harvest grains,⁴ the percentage of food wheat is below the previous year's figure and the five-year average. However, considering the current stocks, the yield of wheat in 2023 will fully cover the needs of domestic food manufacturers.

The grain harvest forecast is generally positive. As estimated by experts,⁵ **the total yield is expected to be 9–11% lower than the peak of 2022, but 8–11% higher than the five-year average and can be the second-largest on record.** The Russian Ministry of Agriculture expects the harvest to reach 135 million tonnes (-14% year-on-year; above the five-year average) (Table 1; Chart 1).

Grain producers complained about a significant rise in costs this year. The surge was associated with not only an increase in the main expenditure items for grains, but also additional expenses for grain processing due to high grain moisture in a number of regions. In particular, the Omsk and Novosibirsk Regions and the Altai Territory had to use a larger number of gas dryers and more fuel for them. Consequently, spending on gas more than doubled, entailing an overall rise in producers' costs.

Furthermore, the grain market is largely dependent on movements of global prices. In the 2022/2023 agricultural year, Russian companies supplied 61 million tonnes of grains to the external market (compared to 38 million tonnes in 2021/2022). Over the first three months of the current season (July–September), exports already exceeded the amount of the same period last year by 50%. As forecast by the Russian Ministry of Agriculture, grain exports in the 2023/2024 agricultural year will reach the record of the previous year, despite the decline in the total yield. Considering the ruble weakening, exports became the most profitable way to sell the surplus of grains. This contributed to the surge in domestic prices in August–September 2023, especially in the South of Russia because of its proximity to the main port infrastructures. However, in the second half of September–early October, importers reduced the demand for Russian grains due to the stocks accumulated in the global market and better prices offered by other exporting countries. These factors, combined with the supply of the new harvest to the domestic market and large stocks, have a downward effect on prices. Consequently, Russian wheat producers' prices as of the end of September were 9% lower than in the previous month and 5% lower year-on-year. Despite the factors containing price growth, some producers in the South and the Volga Region plan to raise grain prices as the main exporting countries exhaust their export potential, as well as to cover rising costs.

OIL CROPS. According to recent data from the Russian Ministry of Agriculture, the pace of harvesting and the size of the harvest as of early October were nearly two times higher than last year.

The yield of oil crops also surpasses the previous year's figures. However, the dynamics vary across crops. The regions that are the main sunflower producers report that the output of sunflowers is below last year's level. Contrastingly, Central Russia's yield of soybeans and rapeseed went up. Coupled with the expansion of crop areas, this will increase the harvest in 2023. Soybean production

⁴ According to FSBI Centre for Grain Quality Assessment and the Bank of Russia Main Branches based on the surveys by regional ministries of agriculture.

⁵ Russian Grain Union, ProZerno, SovEcon, IKAR (Institute for Agricultural Market Studies), Rusagrotrans.

in the Central Federal District will exceed last year's record and cover higher demand from oil extraction plants. The total yield of oil crops in Russia is expected to be below the previous year's result, but above the five-year average (Chart 1).

Surveyed producers complained about higher costs that had soared by 20% on average by 2022. Despite this rise, producers are reducing sunflower seed prices due to excess supply and lower global prices for sunflower oil. Conversely, purchase prices for soybeans were up amid higher demand from processing companies. Thus, the increase in Central Russia was associated with the opening of new soybean processing plants in 2022 H2. Considering the harvest forecast, large stocks and low demand, producers do not expect any significant upward adjustment in prices.

SUGAR BEET. According to recent data from the Russian Ministry of Agriculture, the pace of sugar beet harvesting as of early October 2023 was higher than last year, and the size of the harvest is 39% higher year-on-year. Enterprises in the Volga Region reported a sufficiently high number of required agricultural machines and timely soil preparation among the main drivers of faster harvesting.

Considering the available data on harvesting, the total yield will be close to the 2022 record (Chart 1). As forecast by industry analysts,⁶ Russia will expand sugar output by 5–10% year-on-year, thus fully covering domestic needs and increasing its export potential. Market participants do not expect a considerable rise in sugar prices.

POTATOES AND OPEN-FIELD VEGETABLES. According to recent data from the Russian Ministry of Agriculture, the pace of harvesting as of early October was higher than last year. Agricultural enterprises' and peasant farms' harvest of potatoes and vegetables is 39% and 25.5% higher, respectively, compared to the previous year. One of the drivers behind the increase was high quality of domestic seeds. This was reported by agricultural producers of the Tyumen Region, among others. As forecast by the Russian Ministry of Agriculture, the harvest of potatoes and vegetables is expected to be close to the 2022 results and above the five-year averages (Chart 1).

Enterprises complained about higher costs that had soared by 20% on average by 2022. Vegetable and potato producers in the Astrakhan Region reported a rise in spending on seeds (they mostly use imported seeds) as costs for some seed categories increased from 7% to 16%.

AGRICULTURAL PRODUCERS' PLANS FOR 2024

According to the Russian Ministry of Agriculture, winter sowing areas are to total 20 million hectares, which is 15% more than in the previous year. The pace of autumn sowing exceeds last year's figures, which is associated with favourable agro-climatic conditions, especially in the South of Russia (Charts 2–3).

The structure of crop areas is not expected to change notably in 2024 compared to this year. A number of regions in the South, Central Russia and the Far East are going to increase the total sowing area by using previously idle lands. The Kursk and Lipetsk Regions plan to redistribute lands to increase oil crop areas due to higher demand from processing companies.

⁶ IKAR (Institute for Agricultural Market Studies), Union of Russian Sugar Producers.

Overall, the 2023 harvest forecast for the main agricultural crops is positive. The total yield is expected to surpass five-year averages. The pace of harvesting is considerably higher than last year. However, prices for agricultural crops were affected by higher input costs and global prices, as well as the ruble weakening. Producers' spending on crop sowing, production and harvesting surged. This entailed a rise in prices for the new harvest and related food products.

Table 1. Harvest forecast for main crops, million tonnes

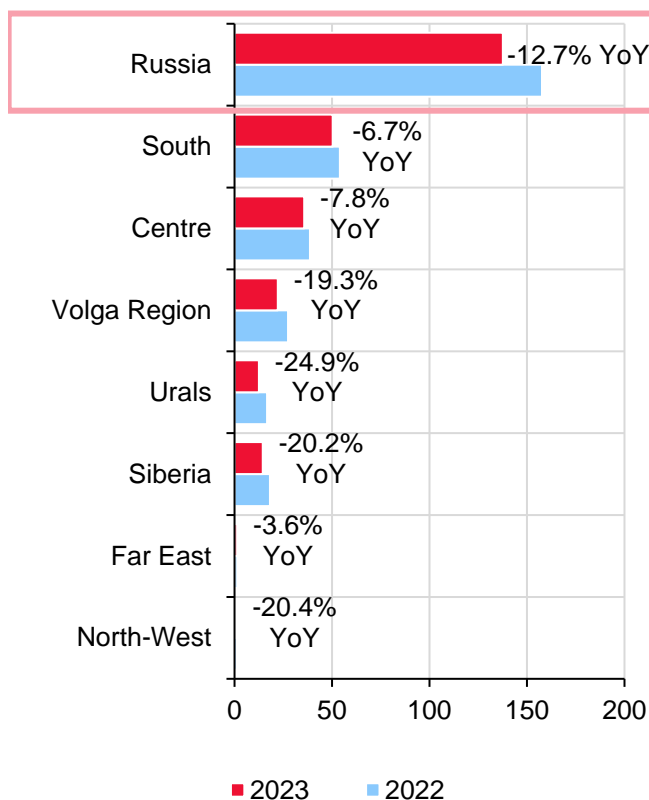
	Grains and grain legumes		Oil crops		Sugar beet	Potatoes	Open-field vegetables
	Total	Wheat	Total	Sunflowers			
Russian Ministry of Agriculture	135	90	25.9	14–16	~ 44.1		
Regional ministries of agriculture	135–140	85–90	27.1	15.2	47.1	7.3	5.7
Russian Grain Union	140	91–92					
ProZerno	140.2	90.1	28	16.6–17			
SovEcon	142.9	91.6		16.4			
IKAR	141.2	91	27.5	16.5			
Rusagrotrans	143.3	92.6	27.5	17			

For reference: actual result, million tonnes

2022	157.7	104.2	29.1	16.4	48.9	7.2	5.6
2018–2022 average	129.4	82.6	23.5	14.7	44.1	7.1	5.3
2013–2022 average	120.6	74.6	19.0	12.3	43.5	6.8	4.9

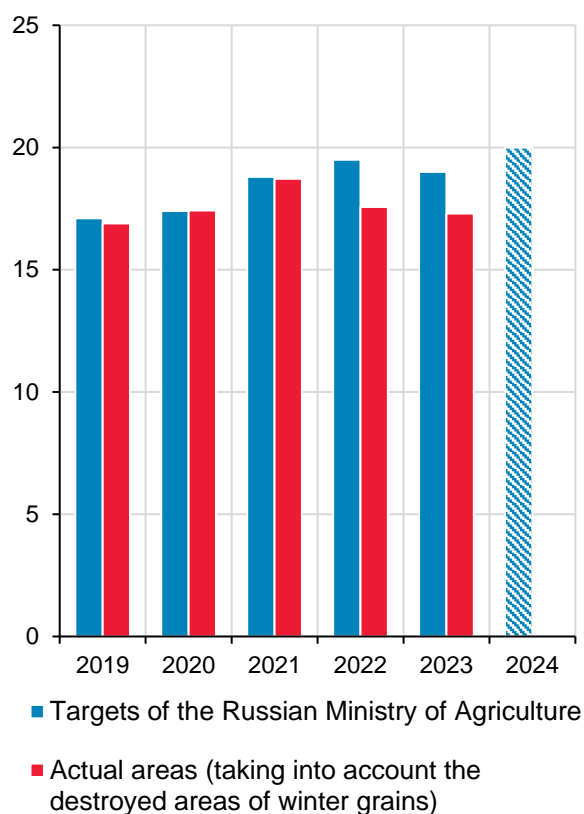
Sources: Rosstat, Russia's Ministry of Agriculture, regional ministries of agriculture, Russian Grain Union, ProZerno, SovEcon, IKAR (Institute for Agricultural Market Studies), Rusagrotrans.

Chart 1. Grain harvest forecast across macro-regions, million tonnes



Sources: Rosstat, regional ministries of agriculture.

Chart 2. Winter crop areas, million hectares



Sources: Rosstat, Russian Ministry of Agriculture.

Table 2. Stocks of materials and equipment for spring sowing, % of required quantities

Macro-region	Crop protection chemicals	Mineral fertilisers	Agricultural machinery	Fuels and lubricants
Russia	95.1	97.3	98.6	87.1
Central Russia	100.0	100.0	99.5	85.0
Volga Region	96.7	94.2	97.1	96.1
Urals	100.0	100.0	100.0	100.0
South	92.2	97.1	98.5	83.1
Siberia	100.0	100.0	100.0	90.0

Data on the North-Western and Far Eastern macro-regions are unavailable as the proportion of winter crops there is minor.

Sources: data from the Bank of Russia Main Branches based on the surveys by regional ministries of agriculture.

BOX 2.

MONETARY CONDITIONS AND CREDIT AND DEPOSIT MARKETS

As assessed by the Bank of Russia, monetary conditions in Russia were generally tightening in August–September 2023. Nevertheless, the demand for retail and corporate loans continued to go up in most regions, which was primarily associated with borrowers' desire to raise loans under the applications approved before the increase in market rates. The figures in the mortgage market across Russia hit record highs in August. According to recent data, the amount of corporate loans issued in September increased across Russia in general. The amount of new retail loans declined in all segments, except mortgages.

HOUSEHOLD FUNDS WITH BANKS

Following the key rate changes in 2023 Q3, banks increased interest rates on deposits and demand deposit accounts several times and improved non-price conditions by expanding the product range (Charts 1 and 2). **Deposit rates across Russian regions were changing quite similarly.**

Despite higher interest rates on bank deposits, households' propensity to save in most regions edged up only slightly in August 2023. The monthly growth rate⁷ of time deposits across Russia in general (which reached the peak since April 2022) was primarily associated with the transfer of funds from current accounts to short-term deposits.

Besides, banks started to more actively offer deposits in friendly states' currencies, specifically in Chinese yuan. Such products are most demanded in the Far East and Central Russia. Thus, major banks in the Republic of Sakha (Yakutia) reported a surge in yuan balances, which was largely associated with the resumption of outbound tourism to China.

According to recent assessments, households in most regions continued to actively open short-term deposits in September, including by transferring the funds from current accounts.

RETAIL LENDING

Retail lending continued to expand in July–August. Its growth rate exceeded the averages recorded over the same periods in the previous five years. The increase was most significant in Central Russia due to a steady rise in households' incomes (Chart 3). Considering the seasonal specifics, households in most Russian regions demonstrated particularly high demand for loans for construction, repair and educational services. The annual growth in car lending accelerated as well, most notably in the North Caucasus, which was largely associated with realisation of last year's pent-up demand. The amount and number of car loans issued in Russia over July reached the maximum since 2018, but declined somewhat in August month-on-month (except in the South and the North Caucasus), although staying rather high compared to previous years (Chart 5).

The **increase in households' demand for loans in most macro-regions over July–August was also caused by people's desire to raise funds under the mortgage loan applications** approved before the rise in market rates and tightening of certain parameters under subsidised mortgage programmes (Chart 5). Besides, the demand for real estate as an investment instrument

⁷ Hereinafter, dynamics adjusted for foreign currency revaluation.

rose due to the ruble weakening. The annual growth rates of mortgage lending as of early September were the highest in the South and the Far East. As to the South, this trend was associated with reviving demand for real estate (the Astrakhan Region and the Republic of Dagestan), extensive housing construction (the Republic of Adygea), a significant rise in households' incomes (the Rostov Region), and implemented support measures (the Republic of Crimea). As regards the Far East, people showed the highest demand for loans under the government subsidised lending programmes Far Eastern Mortgage (the Republic of Sakha (Yakutia)), Family Mortgage and Subsidised Mortgage (the Primorye Territory).

The figures in the mortgage market across Russia hit record highs in August. In particular, the amount of loans issued in Russia over August surged by nearly a third month-on-month. The maximum growth rate of mortgages, including under the subsidised programmes, was recorded in Siberia, primarily in the Novosibirsk Region and the Krasnoyarsk Territory. The Republics of Tyva and Altai also reported a significant rise in mortgage lending. The increase in mortgage loans in Altai was boosted by more extensive construction of apartment buildings by a large developer.

As before, the mortgage market was influenced by regional support programmes, the terms of which mostly improved in 2023 Q3. Specifically, the Republic of Bashkortostan nearly doubled the subsidy within the regional savings and mortgage system. The Rostov Region expanded the subsidised mortgage lending programme to embrace participants in the special military operation and their families. An additional subsidy for mortgages raised by IT specialists in the Chelyabinsk Region increased the percentage of the IT Mortgage programme in the total amount.

According to recent data, all retail lending segments recorded a decline in new loans, except for the mortgage segment that demonstrated the highest growth rate in the North-Western macro-region. The increase in market rates on mortgages and tightening of parameters under the subsidised programmes are expected to cool down this segment in the next few months. An additional factor containing the growth of retail lending will be the toughening of the Bank of Russia's macroprudential requirements for mortgage and consumer lending to the highest-risk borrowers.

CORPORATE LENDING

The demand for corporate loans in most regions remained high in July–August, which was also associated with companies' desire to raise funds under current conditions before their expected tightening. Specifically, the North-Western, Southern and Far Eastern macro-regions demonstrated higher annual growth rates of the corporate loan portfolio in August compared to the Russian average. The main driver in the North-West and the South was the increase in corporate lending to trade and real estate companies. An additional contributor in the South was the growth of outstanding loans in manufacturing. A faster expansion of lending in the Far East was mostly associated with implementation of large investment projects in manufacturing and in the mining and quarrying sector.

As to lending to large businesses, the highest growth rates (exceeding the Russian average) was recorded in the North-West (due to an increase in outstanding loans issued to large companies in Saint Petersburg and the Leningrad Region) and the Far East (primarily because some small and medium-sized enterprises (SMEs) in the Primorye and Khabarovsk Territories were reclassified as large businesses) (Chart 4). Besides, lending to SMEs in July generally declined in Russia, whereas lending to large borrowers expanded as a result of the revision of the Unified Register of SMEs (a reduction in the number of legal entities and individual entrepreneurs classified as SMEs). Already in August, the monthly growth of lending to SMEs continued to accelerate.

Import substitution and parallel import processes remain the driver of SME lending. The amount of new loans issued to SMEs over January–August 2023 surged by a third in annualised

terms, most notably in the Urals (more than 1.5 times) and Central Russia (1.4 times), primarily due to higher demand in the Moscow metropolitan area. Besides, high growth rates of SME loans were recorded in the Urals (mostly in the Sverdlovsk Region) and the South (mainly because of the funds raised in 2023 H1 by developers and trade companies in the Krasnodar Territory) (Chart 5).

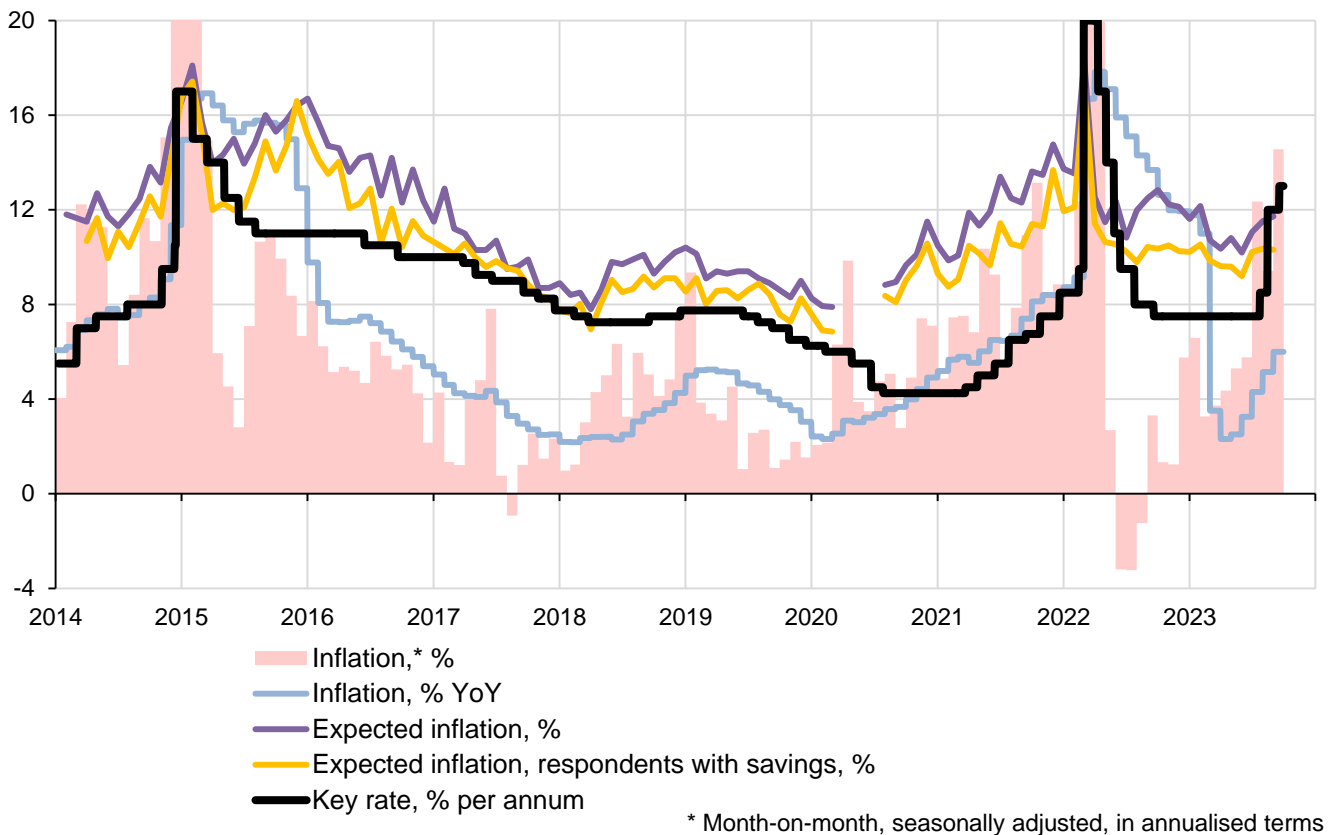
SME lending was supported by government subsidised programmes encompassing a wide range of companies that are upgrading and renovating equipment, as well as exporting goods. Specifically, companies demonstrated the highest demand for programmes implemented for top-priority industries and agriculture. The latter was particularly demanded among agricultural enterprises in the South, the North-West, Central Russia, and the Volga Region. As reported by banks, lending to the agroindustrial complex under this programme slowed down somewhat in August–September due to the exhaustion of the limits. Nevertheless, following the redistribution of the limits at the end of September, agricultural enterprises drew down nearly a third of the newly formed balances of subsidies during the first ten days of October 2023 alone. The Urals reported a slight decline in SMEs' demand for loans under the main programme of the Russian Ministry of Economic Development in 2023 Q3 (one of the regional banks is going to cut the loan limit).

According to the Bank of Russia's monitoring, lending terms for businesses significantly tightened in August–September compared to 2023 H1, which was primarily associated with higher nominal credit rates. Banks tightened lending conditions mostly by increasing interest rates, whereas non-price terms changed differently across regions, namely the Urals slightly eased them, while the South, the Volga Region and Central Russia, to the contrary, tightened them.

According to recent estimates, the amount of ruble-denominated corporate loans issued in September increased across Russia in general mostly during the last week of the month. Over the first weeks of September, disbursements were lower than in August due to rising nominal rates and the suspension of certain subsidised programmes. The rise in disbursements over September in general was recorded in all macro-regions, with Central Russia and the North-West being the main contributors.

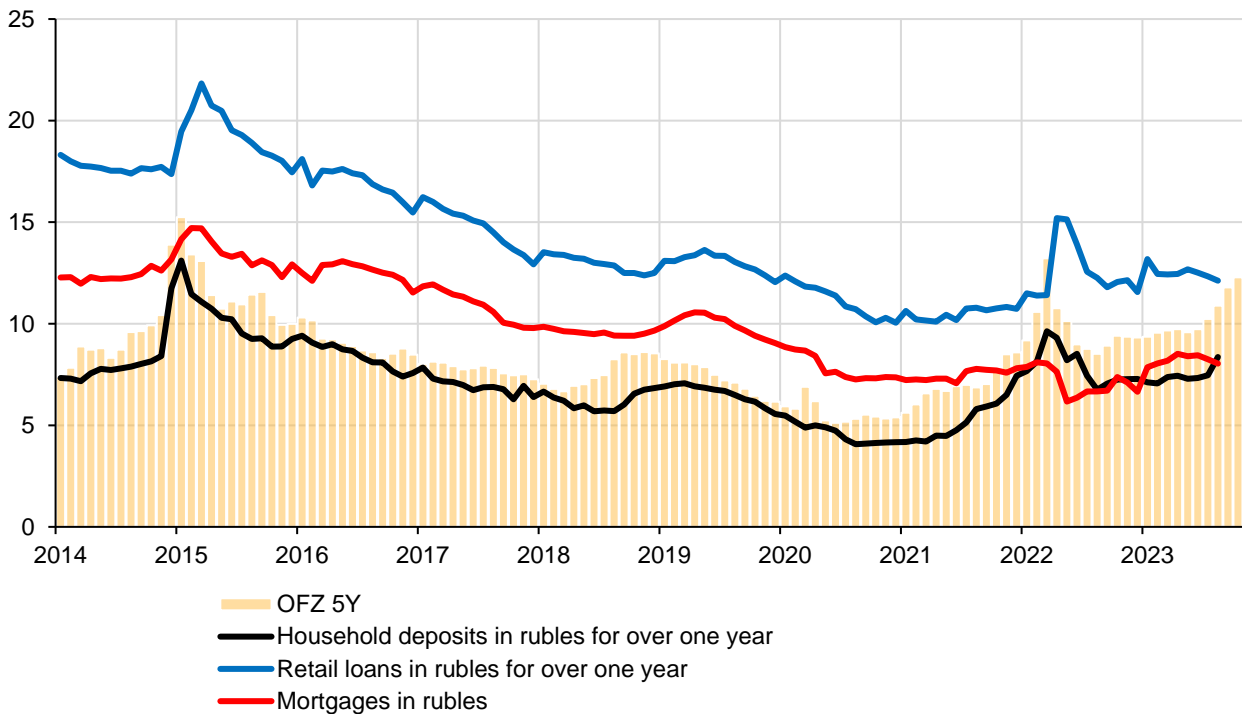
Lending conditions tightened in August–September primarily because of the key rate increase by the Bank of Russia in response to higher proinflationary risks and toughening of the regulatory requirements in retail lending. By the end of 2023 Q3, the changes in lending terms already started to contain growth in individual segments of the credit market. Further on, the Bank of Russia's monetary policy decisions will ensure the dynamics of lending that would correspond to a steady and balanced growth rate of the economy.

Chart 1. Inflation (%) and the Bank of Russia key rate (% per annum)



Sources: Rosstat, Bank of Russia, InFOM.

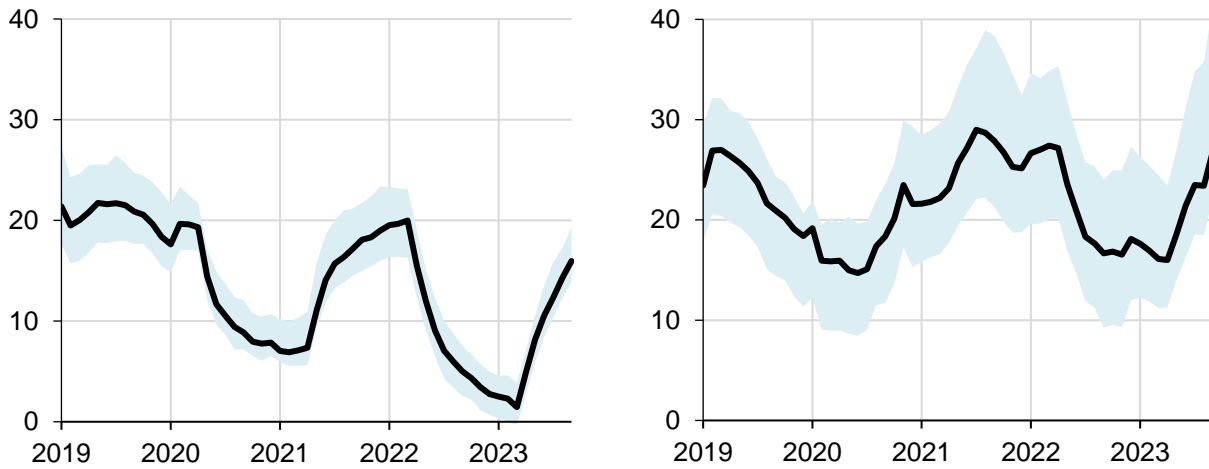
Chart 2. Interest rates in the economy, monthly average (% per annum)



Note: until 2019, average weighted interest rates on mortgages issued over a month were calculated based on the cumulative total from the beginning of the year.

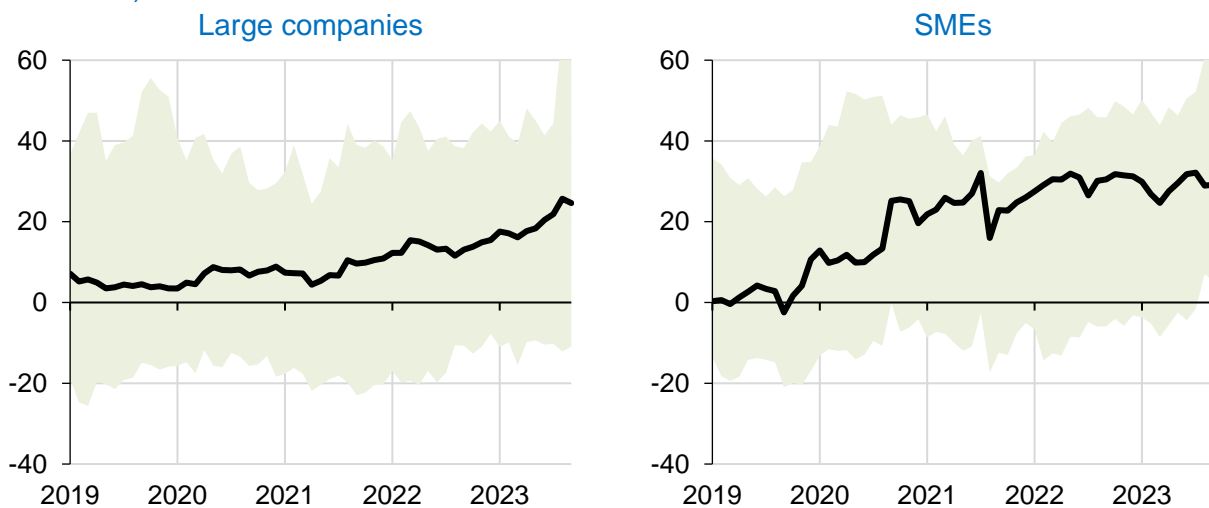
Source: Bank of Russia.

Chart 3. Retail lending in Russian regions (% growth YoY, adjusted for foreign currency revaluation)
Consumer lending Mortgage lending



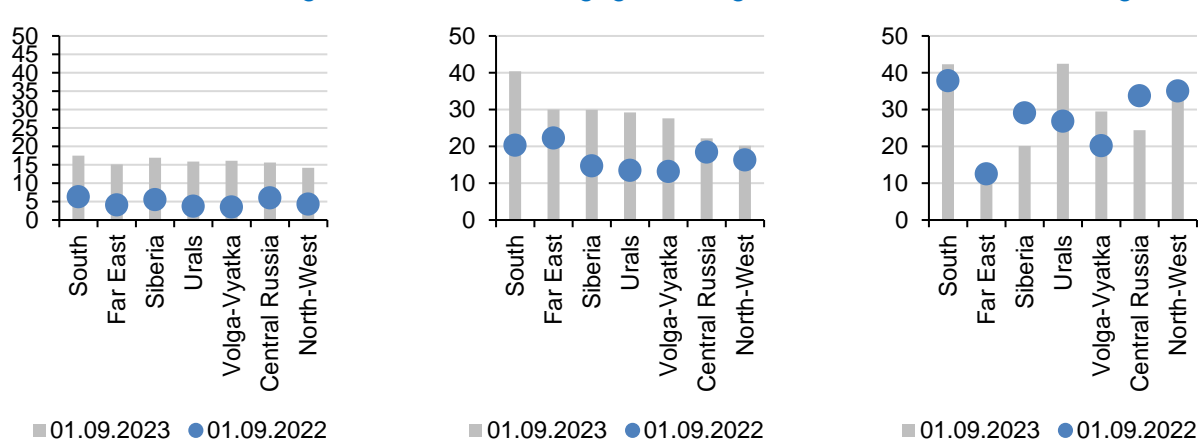
Note: the black line shows the growth rate in Russia in general.
Source: Bank of Russia.

Chart 4. Corporate lending in Russian regions (% growth YoY, adjusted for foreign currency revaluation)
Large companies SMEs



Note: the black line shows the growth rate in Russia in general.
Source: Bank of Russia.

Chart 5. Lending (% growth YoY, adjusted for foreign currency revaluation)
Consumer lending Mortgage lending SME lending



Source: Bank of Russia.

BOX 3.

INDUSTRY FOCUS. TRUCK MARKET

The market of new trucks was demonstrating high adaptability to the sanctions in 2022–2023, largely owing to quickly adjusting supply. Despite the termination of contract assembly, the exit of foreign auto groups from the Russian market and problems with component imports, the output of trucks in Russia was affected much less than the output of cars. The restoration of the industry was driven by implemented import substitution policy and localisation of Chinese brands at Russian production facilities. Amid the limited supply of domestic machinery, the import of trucks surged, with Chinese truck brands being the top sellers. If economic activity continues to grow, the demand for trucks is expected to rise further among both businesses and government authorities.

The Russian automobile industry is developing in the conditions of extensive structural transformation.⁸ The sanction pressure of 2022 significantly affected both the quantities (output, sales) and the market structure. Chinese partners' role is increasing in both large segments of the market owing to the organisation of SKD assembly inside Russia and the import of not only components but also finished cars and trucks. However, the adjustment to the new environment in the truck segment progresses much faster than in the car segment.

According to the Autostat analytical agency, the truck fleet in Russia as of 1 January 2023 comprised nearly eight million vehicles. Domestic trucks accounted for the largest part of the fleet (~70%). The average age of a vehicle was 19 years. Light commercial vehicles (LCVs) intended for small cargo transportation made about a half of the truck fleet. Medium commercial vehicles (MCVs) are used in medium cargo transportation and the utility sector, and as platforms for installing special machinery. Heavy commercial vehicles (HCVs) are meant for long-distance transportation of large amounts of inert materials (dump trucks) and cargoes of various weights and sizes (tractor units). MCVs and HCVs are also demanded in construction.

SALES OF NEW TRUCKS

Total truck sales over September 2023 exceeded the level of 2021 Q4 by 16% (SA).⁹ However, trends in sales of various types of trucks remain diverse.

LCV sales over January–September 2023 increased by 13% year-on-year, but their level in September was still 26% lower than in 2021 Q4 (SA). The restoration of sales in 2022 was hindered by considerably higher prices and lower demand, whereas the main drags today are limited supply due to the exit of foreign auto groups from the Russian market and the reduction in the range of domestic models. Consequently, the limited choice is creating pent-up demand that might be realised as new manufacturers and models enter the market.

Sales of domestic LCVs in September 2023 were close to pre-crises levels (SA), whereas sales of foreign-made LCVs were 82% lower than over 2021 Q4 (SA). This trend was associated with a notable change in the market structure. Specifically, following the exit of many foreign competitors from the Russian market, the proportion of domestic brands in the LCV market increased from 65%

⁸ The situation in the automobile industry in general was described in a box in the Regional Economy report No. 21 (July 2023).

⁹ Hereinafter, the sales statistics based on data from Avtostat Info and ASM Holding.

in 2021 to 92.5% in summer 2023.

Total MCV and HCV sales over January–September 2023 surged by 81% year-on-year, exceeding the level of 2021 Q4 already by 72% as of the end of September (SA). The demand for tractor units, dump trucks and special machinery remains elevated because of extensive construction and implementation of large infrastructure projects. An additional factor explaining the surge in MCV and HCV sales in 2023 is pent-up demand formed during the pandemic period. In 2022, the renewal of the motor fleet nearly stopped. However, as economic activity restored and the role of automobile cargo transportation increased, including due to the substitution of European cross-border carriers for domestic ones, the need for the renewal of the vehicle fleet became stronger. Beginning from late 2022, the supply of trucks started to adjust to growing demand owing to the restoration of output by domestic automobile plants and the expansion of sales of Chinese trucks. This adjustment of supply made it possible to cover the need for trucks in the economy undergoing structural transformation and promoted a rise in sales.

In addition, the structure of overall MCV and HCV sales across auto body types was significantly altering throughout 2022–2023. In 2022, a decline in sales was primarily recorded in the segment of tractor units due to the EU's ban on their supplies to Russia and the termination of their contract assembly at joint ventures with foreign auto groups. Consequently, dump trucks accounted for the highest percentage in sales. As freight traffic flows were redirected to the Southern and Eastern destinations amid high utilisation rates of the railway infrastructure, the demand for tractor units surged. Higher demand, coupled with the expanded supply of Chinese trucks in the Russian market, boosted sales of tractor units that again exceeded sales of dump trucks already by summer 2023.

Sales of domestic MCV and HCV brands in September 2023 remained 18% below the level of 2021 Q4 (SA). The rebound in sales is limited because a part of production facilities are fulfilling the state order. Moreover, the proportion of domestic MCVs and HCVs contracted from 51% in 2021 to 28% in summer 2023. The supply of domestic trucks in the market was insufficient to meet higher demand. This gap was covered by increased sales of Chinese trucks. A further expansion of sales is hampered by difficulties with maintenance and repairs, as well as the ruble weakening and the increase in the recycling fee from 1 August 2023.

MANUFACTURE OF TRUCKS

In 2022, the output of both domestic and foreign trucks declined due to the termination of contract assembly, the exit of foreign auto groups from the Russian market, and the closure of joint ventures. In contrast to the car segment, the manufacture of trucks was less dependent on imported components. Nevertheless, domestic truck manufacturers also faced problems with component imports. Consequently, some automobile plants were idle and had to simplify the configurations of motor vehicles or reduce the model range.

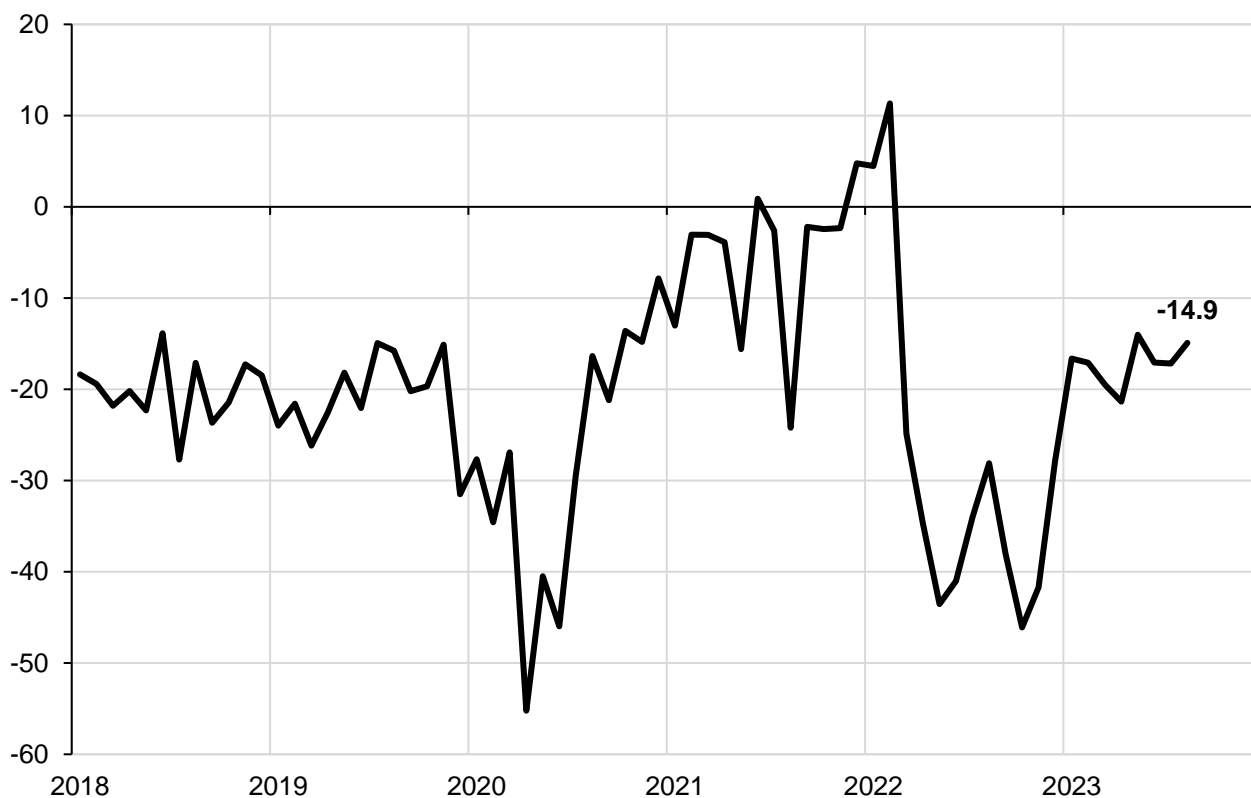
Closer to the end of 2022, the situation started to improve: domestic manufacturers managed to relaunch their own production facilities, as well as some of the truck and component assembly facilities left by the foreign auto groups that had exited the Russian market. This became possible owing to the available research and production base, highly qualified specialists, implementation of import substitution policy, and localisation of Chinese brands at Russian production facilities. A number of enterprises launched the manufacture of trucks of their own brands based on Chinese models. In particular, a vehicle manufacturer in the Volga Region was able to preserve the whole range of LCV models, while another automobile plant continued to manufacture LCVs and MCVs

with slightly changed configurations. Another large HCV manufacturer in the Volga-Vyatka macro-region started full-scale production of a truck model with a high local content, as well as relaunched the production of key auto components. An automobile plant in the Urals continued to manufacture HCVs, including models with imported components.

In these conditions, the total output of trucks continues to bounce back. Over January–August 2023, the output of trucks expanded by 10% year-on-year, but is still 15% lower compared to 2021 Q4 (SA). The growth in the industry is driven by the output of MCVs and HCVs, which is associated with rising demand from businesses and government authorities and the expansion of import substitution at production facilities. Further changes in the output of trucks will be largely related to the implementation of projects aimed at relaunching currently idle production facilities and ramping up the output of operating automobile plants as the situation with component imports improves.

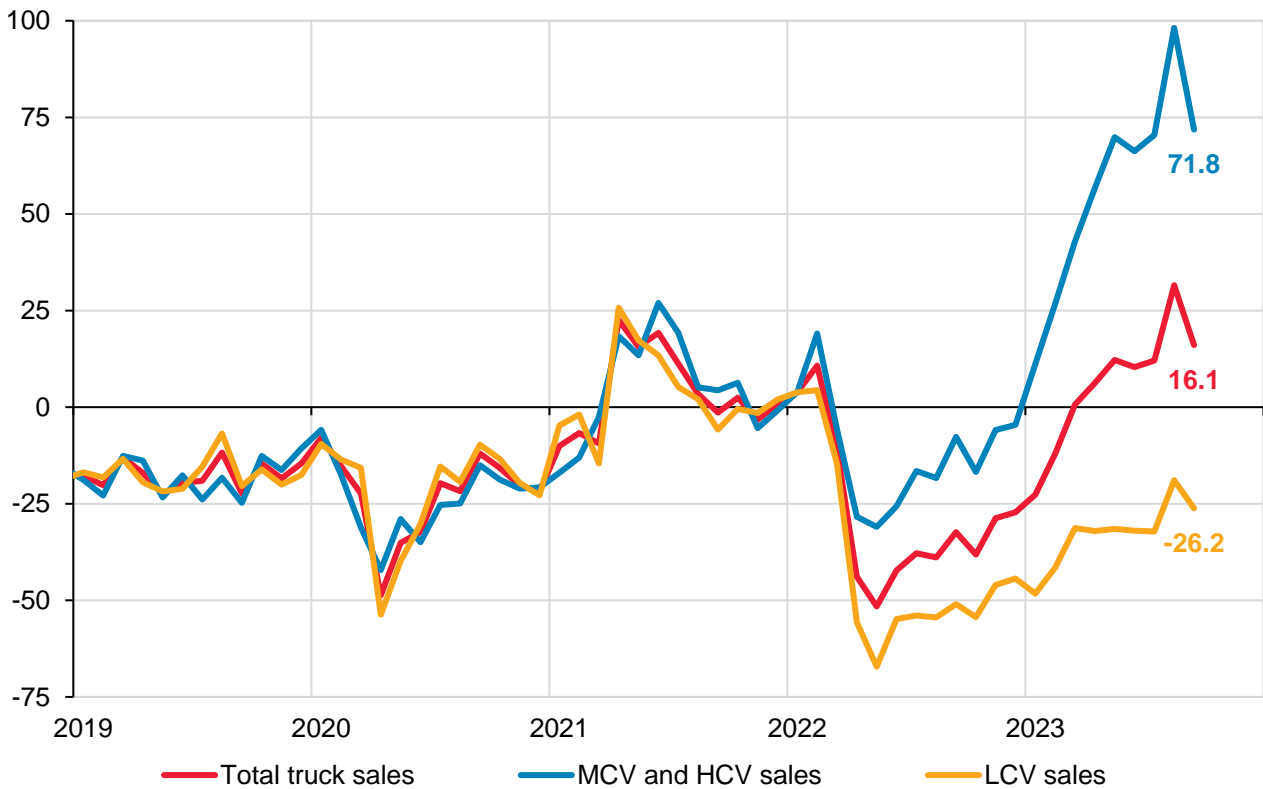
The truck market is gradually restoring output. Sales are rising, whereas trends across truck categories vary. LCV sales remain at lower levels, which is primarily explained by limited supply (in terms of both quantities and the model range). Therefore, growth prospects in this segment are associated with new manufacturers and models that are expected to enter the market. MCV and HCV sales are much higher than before the crisis. Further adjustment in this segment will most likely be accompanied by changes in the market structure. Specifically, domestic manufacturers' share will be increasing as they complete the work under the state order.

Chart 1. Output of trucks, % change on 2021 Q4 (SA)



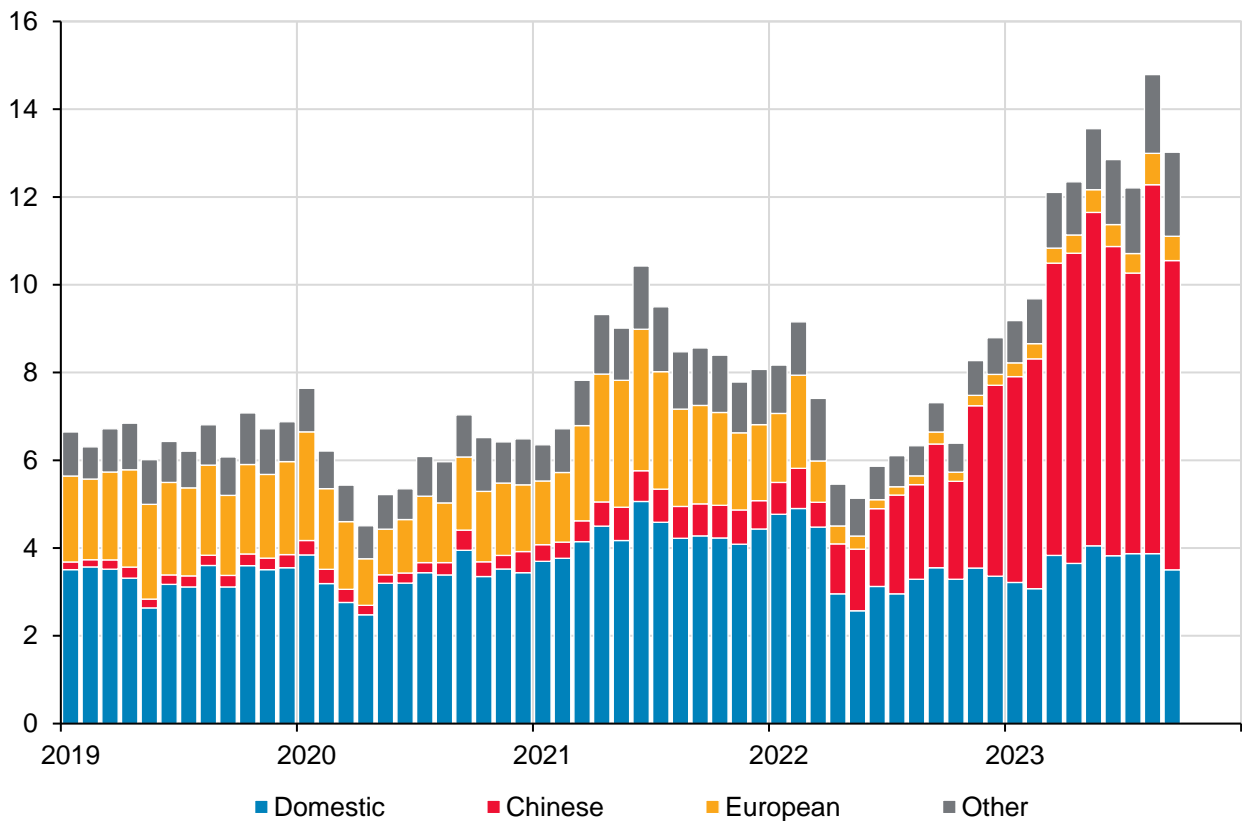
Sources: Rosstat, Bank of Russia calculations.

Chart 2. Sales of trucks across categories, % change on 2021 Q4 (SA)



Sources: Avtostat Info and ASM Holding, Bank of Russia calculations.

Chart 3. MCV and HCV sales across brand origin countries, the vehicles (SA)



Sources: Avtostat Info and ASM Holding, Bank of Russia calculations.

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Consumer demand: the impact of the worsening epidemiological situation

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.4	11.9	15.9	13.7	11.9	3.5	3.3	5.2	6.0	
Core inflation	% YoY	8.9	14.3	19.2	17.1	14.3	3.7	2.4	4.0	4.6	
Industrial production	3MMA, % YoY	6.3	0.6	-1.5	-0.3	-1.4	-1.2	5.8	5.4		
Fixed capital investment	Cumulative, % YoY	8.6	4.6	7.6	5.4	4.6	0.7	7.6			
Construction	3MMA, % YoY	7.0	5.2	3.6	5.2	6.9	8.9	9.7	8.5		
Housing commissioning	3MMA, % YoY	12.7	11.0	24.8	1.7	-21.4	-1.2	-0.6	6.9		
Retail	3MMA, % YoY	7.8	-6.5	-9.6	-9.8	-9.6	-7.0	9.4	10.7		
Commercial services	3MMA, % YoY	17.2	5.0	3.3	3.9	3.0	2.8	5.0	5.1		
Real wages	3MMA, % YoY	4.5	0.3	-5.5	-2.0	0.4	1.6	11.4			
Real disposable income	% YoY	3.9	-1.5	-1.7	-4.3	-0.6	3.0	5.0			
Unemployment	% SA	4.8	3.9	4.0	3.9	3.7	3.5	3.2	3.1		
Outstanding consumer loans	% YoY	19.5	2.5	7.1	4.3	2.5	4.9	12.4	16.0		
Outstanding mortgage loans	% YoY	26.7	17.7	18.3	16.8	17.7	16.0	23.5	26.9		
Funds in escrow accounts	% YoY	158	32.7	76.3	53.7	32.7	11.8	15.0	23.1		
Non-financial organisations' outstanding bank loans	% YoY	14.6	19.7	15.6	16.7	19.7	19.4	23.9	25.4		
• Large borrowers	% YoY	12.3	17.6	13.3	13.8	17.6	17.7	21.9	24.6		
• SMEs	% YoY	27.5	29.9	26.5	31.8	29.9	27.6	32.1	29.2		
Companies' price expectations	Balance of responses, SA	20.1	21.7	24.5	15.3	17.8	16.7	16.3	22.8	24.0	24.3
Business Climate Index	SA, pp	4.6	-0.2	-3.5	1.9	0.7	5.4	8.8	5.3	6.0	6.2
• Current estimates	SA, pp	-1.9	-6.1	-9.5	-4.6	-5.9	-1.4	4.2	0.3	1.0	-0.4
• Expectations	SA, pp	11.4	6.0	2.6	8.6	7.4	12.4	13.4	10.5	11.1	13.0

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.3	12.5	16.3	14.2	12.5	4.2	3.6	5.3	6.1	
Core inflation	% YoY	9.0	14.9	19.9	17.7	14.9	4.3	2.9	4.3	4.8	
Industrial production	3MMA, % YoY	19.8	9.0	9.4	9.8	2.3	6.1	12.3	14.9		
Fixed capital investment	Cumulative, % YoY	14.5	-0.2	4.4	1.4	-0.2	-10.5	4.0			
Construction	3MMA, % YoY	5.2	12.0	14.3	13.0	12.0	5.9	11.2	8.2		
Housing commissioning	3MMA, % YoY	14.3	12.6	24.2	-2.3	-21.8	-11.4	-9.7	-4.4		
Retail	3MMA, % YoY	8.5	-10.5	-13.6	-14.9	-14.9	-11.6	9.7	12.0		
Commercial services	3MMA, % YoY	23.5	7.3	1.8	4.2	5.2	2.1	7.8	7.3		
Real wages	3MMA, % YoY	5.6	-0.9	-7.2	-4.8	-2.0	-2.3	10.2			
Real disposable income	% YoY	5.4	-2.2	-3.7	-5.4	-2.1	2.1	8.4			
Unemployment	% SA	3.5	3.0	3.1	3.0	2.9	2.8	2.5	2.4		
Outstanding consumer loans	% YoY	19.9	2.7	8.6	4.8	2.7	4.7	11.9	15.7		
Outstanding mortgage loans	% YoY	29.2	16.9	19.9	18.3	16.9	14.8	20.3	22.2		
Funds in escrow accounts	% YoY	171	39.6	83.8	59.3	39.6	16.1	15.7	20.6		
Non-financial organisations' outstanding bank loans	% YoY	13.1	15.6	12.5	13.3	15.6	18.3	23.1	23.2		
• Large borrowers	% YoY	10.0	13.2	9.7	10.0	13.2	16.2	20.8	23.0		
• SMEs	% YoY	36.6	30.1	29.4	35.6	30.1	30.1	34.7	24.4		
Companies' price expectations	Balance of responses, SA	29.0	28.2	32.7	19.6	22.4	19.8	22.2	30.9	33.1	33.1
Business Climate Index	SA, pp	6.6	0.2	-6.0	2.2	2.4	5.6	5.6	4.3	7.1	8.2
• Current estimates	SA, pp	-1.1	-6.3	-12.6	-5.6	-5.3	-0.6	0.1	-2.2	0.9	0.5
• Expectations	SA, pp	14.5	6.9	0.9	10.3	10.3	12.1	11.3	11.1	13.5	16.3

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

Core indicators. North-Western Main Branch

Table 3

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.5	11.9	15.5	13.7	11.9	3.3	3.6	5.4	5.9	
Core inflation	% YoY	8.9	14.7	19.0	17.5	14.7	3.8	2.7	4.1	4.3	
Industrial production	3MMA, % YoY	5.2	0.8	1.4	-5.3	1.5	-1.5	5.2	7.3		
Fixed capital investment	Cumulative, % YoY	3.6	-5.0	-1.0	-7.0	-5.0	4.5	3.2			
Construction	3MMA, % YoY	3.7	-10.5	-9.3	-10.8	-13.5	0.3	-0.3	6.4		
Housing commissioning	3MMA, % YoY	13.3	8.4	33.6	-19.6	-8.6	-10.1	-6.1	20.8		
Retail	3MMA, % YoY	11.7	-6.3	-9.4	-10.7	-10.3	-8.6	10.8	12.0		
Commercial services	3MMA, % YoY	19.2	4.8	3.8	4.8	4.3	3.8	2.2	3.2		
Real wages	3MMA, % YoY	4.3	0.4	-5.1	-2.7	0.7	0.6	10.3			
Real disposable income	% YoY	5.8	-1.4	-2.9	-5.3	-0.1	1.1	6.3			
Unemployment	% SA	3.9	3.2	3.2	3.4	3.2	3.1	2.7	2.6		
Outstanding consumer loans	% YoY	18.7	1.7	6.4	3.8	1.7	3.8	10.9	14.2		
Outstanding mortgage loans	% YoY	26.5	15.3	18.1	16.2	15.3	12.7	18.0	20.2		
Funds in escrow accounts	% YoY	255	32.4	111	77.5	32.4	7.5	9.5	14.3		
Non-financial organisations' outstanding bank loans	% YoY	28.3	45.4	42.6	29.5	45.4	34.8	37.6	46.7		
• Large borrowers	% YoY	32.5	46.1	54.2	28.9	46.1	39.3	42.2	48.9		
• SMEs	% YoY	11.0	42.0	7.0	32.4	42.0	14.2	17.5	36.0		
Companies' price expectations	Balance of responses, SA	23.3	24.0	28.5	16.9	19.2	17.5	19.3	25.3	26.5	27.1
Business Climate Index	SA, pp	4.5	-4.4	-10.2	-4.6	-2.8	1.1	2.9	2.0	1.9	3.5
• Current estimates	SA, pp	-1.5	-9.8	-16.1	-10.6	-8.4	-5.2	-2.6	-2.7	-2.7	-2.6
• Expectations	SA, pp	10.7	1.0	-4.2	1.5	3.0	7.6	8.6	6.9	6.6	9.8

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.6	12.4	16.7	14.2	12.4	3.7	3.2	5.1	5.9	
Core inflation	% YoY	9.4	14.7	20.1	17.8	14.7	3.5	2.2	3.8	4.4	
Industrial production	3MMA, % YoY	8.7	3.1	-1.3	2.6	2.3	1.4	10.9	10.8		
Fixed capital investment	Cumulative, % YoY	5.5	3.3	6.4	5.7	3.3	4.0	11.9			
Construction	3MMA, % YoY	13.8	14.2	5.1	11.5	10.1	6.2	32.8	15.4		
Housing commissioning	3MMA, % YoY	8.5	3.8	26.4	14.4	-31.5	14.5	9.1	7.0		
Retail	3MMA, % YoY	6.0	-3.6	-8.4	-5.4	-3.7	-1.6	11.9	10.8		
Commercial services	3MMA, % YoY	10.9	3.6	4.6	3.0	1.3	3.9	3.8	5.0		
Real wages	3MMA, % YoY	4.3	0.8	-4.5	-1.3	0.9	4.8	14.0			
Real disposable income	% YoY	2.1	-0.6	-0.9	-3.1	1.9	4.9	9.9			
Unemployment	% SA	4.0	3.2	3.3	3.3	3.1	2.7	2.5	2.3		
Outstanding consumer loans	% YoY	19.2	1.2	5.4	3.2	1.2	4.2	12.1	16.1		
Outstanding mortgage loans	% YoY	23.0	15.4	15.5	13.4	15.4	13.8	22.6	27.6		
Funds in escrow accounts	% YoY	105	11.6	54.3	35.0	11.6	-7.3	1.3	15.6		
Non-financial organisations' outstanding bank loans	% YoY	11.8	11.0	9.2	10.0	11.0	8.4	14.2	15.1		
• Large borrowers	% YoY	9.0	8.0	4.0	6.0	8.0	4.9	9.5	9.2		
• SMEs	% YoY	19.9	18.8	23.7	21.3	18.8	17.4	24.8	29.5		
Companies' price expectations	Balance of responses, SA	28.5	28.6	34.1	20.0	22.5	20.8	23.4	30.6	32.6	31.7
Business Climate Index	SA, pp	6.3	1.0	-4.9	4.1	2.8	7.9	10.8	7.5	6.5	7.9
• Current estimates	SA, pp	-0.7	-6.6	-12.6	-3.9	-4.9	-0.4	5.2	1.4	1.1	1.1
• Expectations	SA, pp	13.6	8.8	3.1	12.5	10.7	16.6	16.6	13.8	12.0	15.0

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

Core indicators. Southern Main Branch

Table 5

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	9.2	11.7	16.1	13.3	11.7	4.0	3.6	5.7	6.7	
Core inflation	% YoY	9.1	14.4	18.8	16.9	14.4	5.0	2.7	4.2	4.9	
Industrial production	3MMA, % YoY	5.2	5.5	1.4	2.2	11.3	-0.9	6.1	7.2		
Fixed capital investment	Cumulative, % YoY	-0.3	5.1	1.0	3.4	5.1	23.3	21.3			
Construction	3MMA, % YoY	6.5	1.9	4.2	9.7	3.8	41.1	10.5	1.6		
Housing commissioning	3MMA, % YoY	13.8	18.0	37.7	3.1	-20.2	-3.3	-11.1	19.6		
Retail	3MMA, % YoY	12.0	-2.4	-6.2	-4.8	-2.9	-0.2	11.6	10.3		
Commercial services	3MMA, % YoY	15.1	5.4	5.6	5.0	1.8	2.8	3.4	3.3		
Real wages	3MMA, % YoY	2.3	-0.9	-5.6	-2.0	0.8	4.8	10.5			
Real disposable income	% YoY	4.1	-0.3	-2.0	-1.7	4.0	7.1	8.1			
Unemployment	% SA	7.8	6.4	6.4	6.3	6.1	5.6	5.4	5.2		
Outstanding consumer loans	% YoY	21.1	3.1	8.6	5.7	3.1	5.8	13.7	17.5		
Outstanding mortgage loans	% YoY	30.7	24.9	22.4	21.1	24.9	25.1	35.4	40.4		
Funds in escrow accounts	% YoY	120	25.1	45.8	36.1	25.1	18.8	42.2	56.5		
Non-financial organisations' outstanding bank loans	% YoY	13.7	27.2	15.2	32.8	27.2	28.1	31.1	30.1		
• Large borrowers	% YoY	8.4	22.6	7.2	29.8	22.6	23.0	24.9	24.1		
• SMEs	% YoY	28.5	38.1	35.9	40.2	38.1	39.6	43.3	42.3		
Companies' price expectations	Balance of responses, SA	20.0	21.5	23.9	14.8	18.1	15.7	16.2	24.9	26.7	23.3
Business Climate Index	SA, pp	5.3	1.6	-2.6	3.6	3.6	6.0	7.2	6.4	6.2	7.1
• Current estimates	SA, pp	-1.6	-4.7	-7.8	-4.1	-3.5	-0.8	2.1	-0.1	-1.1	0.5
• Expectations	SA, pp	12.3	8.1	2.8	11.5	10.9	13.0	12.4	13.2	13.7	14.0

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

Core indicators. Ural Main Branch

Table 6

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	7.7	11.0	15.1	12.7	11.0	2.2	2.2	4.1	5.0	
Core inflation	% YoY	8.2	12.4	17.7	15.4	12.4	1.5	1.0	2.5	3.2	
Industrial production	3MMA, % YoY	4.2	0.0	-2.8	-0.5	-1.2	-1.4	4.3	2.4		
Fixed capital investment	Cumulative, % YoY	0.7	8.7	9.5	9.1	8.7	-7.7	1.3			
Construction	3MMA, % YoY	7.3	-5.1	-10.9	-5.8	-5.0	4.7	7.0	7.2		
Housing commissioning	3MMA, % YoY	12.1	11.2	8.6	9.5	-13.2	3.6	13.4	7.5		
Retail	3MMA, % YoY	4.4	-5.1	-8.8	-7.9	-5.6	-1.3	12.8	14.5		
Commercial services	3MMA, % YoY	14.7	2.7	2.8	2.4	-0.3	3.1	4.4	4.7		
Real wages	3MMA, % YoY	3.4	1.4	-4.7	2.6	4.1	5.8	13.9			
Real disposable income	% YoY	1.0	-0.7	-2.7	-1.2	1.2	6.9	10.0			
Unemployment	% SA	4.4	3.3	3.5	3.2	3.0	2.8	2.5	2.4		
Outstanding consumer loans	% YoY	18.1	1.6	5.1	3.5	1.6	4.3	12.1	15.9		
Outstanding mortgage loans	% YoY	21.1	16.5	13.7	14.0	16.5	15.6	24.8	29.2		
Funds in escrow accounts	% YoY	109	21.9	53.7	34.9	21.9	3.4	11.1	24.3		
Non-financial organisations' outstanding bank loans	% YoY	16.6	17.4	17.8	19.0	17.4	13.1	18.4	18.0		
• Large borrowers	% YoY	15.0	16.0	15.9	17.6	16.0	8.9	14.4	13.6		
• SMEs	% YoY	27.6	25.9	29.6	26.9	25.9	38.3	39.0	42.4		
Companies' price expectations	Balance of responses, SA	22.5	24.2	29.7	17.6	18.3	16.1	16.3	24.6	24.6	24.7
Business Climate Index	SA, pp	6.7	1.8	-4.5	3.4	4.6	9.2	10.1	9.6	9.6	8.3
• Current estimates	SA, pp	-0.2	-4.3	-10.4	-3.4	-2.6	2.0	6.3	6.2	5.9	2.2
• Expectations	SA, pp	13.9	8.2	1.7	10.5	12.0	16.6	14.1	13.1	13.4	14.5

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

Core indicators. Siberian Main Branch

Table 7

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	9.3	12.7	17.2	14.6	12.7	3.4	3.2	5.4	6.6	
Core inflation	% YoY	9.5	14.2	19.9	17.5	14.2	2.6	1.8	3.7	4.7	
Industrial production	3MMA, % YoY	3.0	1.7	2.5	-0.4	-0.2	-2.0	1.5	-1.1		
Fixed capital investment	Cumulative, % YoY	11.4	5.6	9.9	5.8	5.6	7.9	7.9			
Construction	3MMA, % YoY	14.0	10.5	7.2	9.7	10.2	7.3	-1.1	2.2		
Housing commissioning	3MMA, % YoY	7.7	3.5	10.5	6.2	-39.7	12.0	29.5	3.5		
Retail	3MMA, % YoY	7.1	-2.7	-5.4	-5.7	-5.5	-3.4	10.7	11.7		
Commercial services	3MMA, % YoY	11.8	5.5	4.7	5.8	4.4	3.7	5.1	4.7		
Real wages	3MMA, % YoY	3.3	1.9	-4.6	0.8	2.4	4.4	12.7			
Real disposable income	% YoY	2.0	-1.1	-2.2	-2.3	1.0	5.7	10.0			
Unemployment	% SA	6.1	4.8	5.0	4.6	4.3	3.9	3.8	3.7		
Outstanding consumer loans	% YoY	20.5	3.7	7.2	4.9	3.7	6.2	13.8	16.9		
Outstanding mortgage loans	% YoY	25.8	17.3	17.1	15.0	17.3	16.2	25.5	29.9		
Funds in escrow accounts	% YoY	149	25.0	60.0	37.8	25.0	13.6	17.6	37.7		
Non-financial organisations' outstanding bank loans	% YoY	5.0	17.0	10.7	16.7	17.0	10.9	13.5	22.8		
• Large borrowers	% YoY	1.4	11.8	5.1	12.4	11.8	5.3	5.2	23.7		
• SMEs	% YoY	18.8	33.8	29.6	31.7	33.8	29.5	35.1	20.1		
Companies' price expectations	Balance of responses, SA	24.0	25.0	27.6	17.9	18.6	18.6	19.2	29.1	30.2	31.2
Business Climate Index	SA, pp	5.9	2.4	-0.5	5.6	3.8	9.2	13.1	8.3	8.6	9.0
• Current estimates	SA, pp	-1.6	-5.7	-9.6	-3.0	-5.6	1.2	6.0	1.6	1.8	1.6
• Expectations	SA, pp	13.7	10.8	9.0	14.6	13.7	17.6	20.4	15.3	15.6	16.6

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

Core indicators. Far Eastern Main Branch

Table 8

		2021	2022	2022	2022	2022	2023	2023	Aug	Sep	Oct
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	6.7	11.9	14.1	12.5	11.9	5.2	4.0	5.8	7.1	
Core inflation	% YoY	6.7	14.0	16.5	15.3	14.0	5.5	3.7	5.6	6.5	
Industrial production	3MMA, % YoY	3.0	-4.0	-6.5	-10.4	-3.7	-4.5	5.0	9.9		
Fixed capital investment	Cumulative, % YoY	13.8	11.5	5.1	3.5	11.5	25.4	23.6			
Construction	3MMA, % YoY	-0.7	4.7	7.7	-3.9	16.9	16.9	18.8	34.8		
Housing commissioning	3MMA, % YoY	25.4	13.7	34.0	31.8	-6.6	45.1	25.4	10.9		
Retail	3MMA, % YoY	5.6	-0.6	-0.9	-0.8	-2.8	-2.7	4.5	6.1		
Commercial services	3MMA, % YoY	13.2	-0.9	-1.4	-3.5	-0.3	-2.3	2.3	1.4		
Real wages	3MMA, % YoY	4.2	0.1	-3.5	-3.0	-1.6	1.5	6.2			
Real disposable income	% YoY	2.3	-1.0	-0.2	-3.6	0.2	2.1	4.8			
Unemployment	% SA	4.6	3.9	4.0	3.8	3.5	3.2	2.9	2.7		
Outstanding consumer loans	% YoY	17.7	3.7	5.8	3.5	3.7	6.4	12.7	15.1		
Outstanding mortgage loans	% YoY	32.5	23.3	25.5	22.4	23.3	20.2	27.0	30.0		
Funds in escrow accounts	% YoY	162	34.0	95.4	67.5	34.0	12.9	14.2	26.4		
Non-financial organisations' outstanding bank loans	% YoY	18.0	18.9	10.7	13.2	18.9	27.3	29.8	29.9		
• Large borrowers	% YoY	17.0	21.0	6.2	12.8	21.0	33.0	34.6	33.7		
• SMEs	% YoY	21.8	11.0	28.2	14.7	11.0	7.6	15.0	14.9		
Companies' price expectations	Balance of responses, SA	18.8	21.0	24.5	15.5	16.7	16.6	16.0	20.4	22.5	22.2
Business Climate Index	SA, pp	4.7%	1.7	-1.8	4.6	2.4	5.9	8.5	7.5	7.1	8.7
• Current estimates	SA, pp	-2.4	-4.4	-8.9	-2.4	-4.9	-1.8	3.6	0.6	0.4	1.1
• Expectations	SA, pp	12.0	7.9	5.5	11.9	10.0	13.8	13.6	14.6	14.0	16.6

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