



Bank of Russia



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# MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

Moscow  
2024

## MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (DECEMBER 2023)

- Indicators of monetary tightness were moving diversely in November–December. Interest rates in individual segments of the financial market continued to rise. Credit spreads expanded. However, the recent rise in inflation expectations constrained the tightening of monetary conditions.
- The average spread between RUONIA and the key rate was -32 bp in December (vs -20 bp in November).
- In December, money market rates and short-term OFZ yields went up after the revision of market expectations regarding the future path of the key rate and its increase by 1 pp at the December meeting of the Board of Directors.
- In November–December, retail deposit activity remained high, especially in the short-term segment. This was mainly due to a noticeable rise in deposit rates following the further monetary policy tightening in Q4.
- In November, lending activity remained high despite tighter pricing. Growth in retail lending was still supported by subsidised mortgage programmes, however, consumer lending slowed down significantly.
- High lending activity helped maintain considerable growth rates of monetary aggregates in November–December. Nevertheless, their monthly growth was markedly lower in December than over the same period in previous years.

## MONETARY POLICY TRANSMISSION

The monetary policy transmission mechanism (or monetary policy transmission) is a sequence of links in the economy through which monetary policy influences demand and, accordingly, inflation. This mechanism is based on interest rates and yields in the key market segments, affecting each other (the key rate has a direct effect on short-term money market rates; short-term rates influence long-term rates and OFZ yields; OFZ yields impact corporate bond yields; bond yields and long-term money market rates affect credit and deposit rates). Rates, in turn, influence the propensity to save, consume, and invest (*interest rate channel* of the transmission mechanism), the ability of borrowers to provide high-quality collateral, and that of banks – to expand lending (*credit and balance-sheet channels*), as well as the wealth of investors

(*welfare channel*), and the ruble exchange rate (*foreign exchange channel*).<sup>1</sup>

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

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

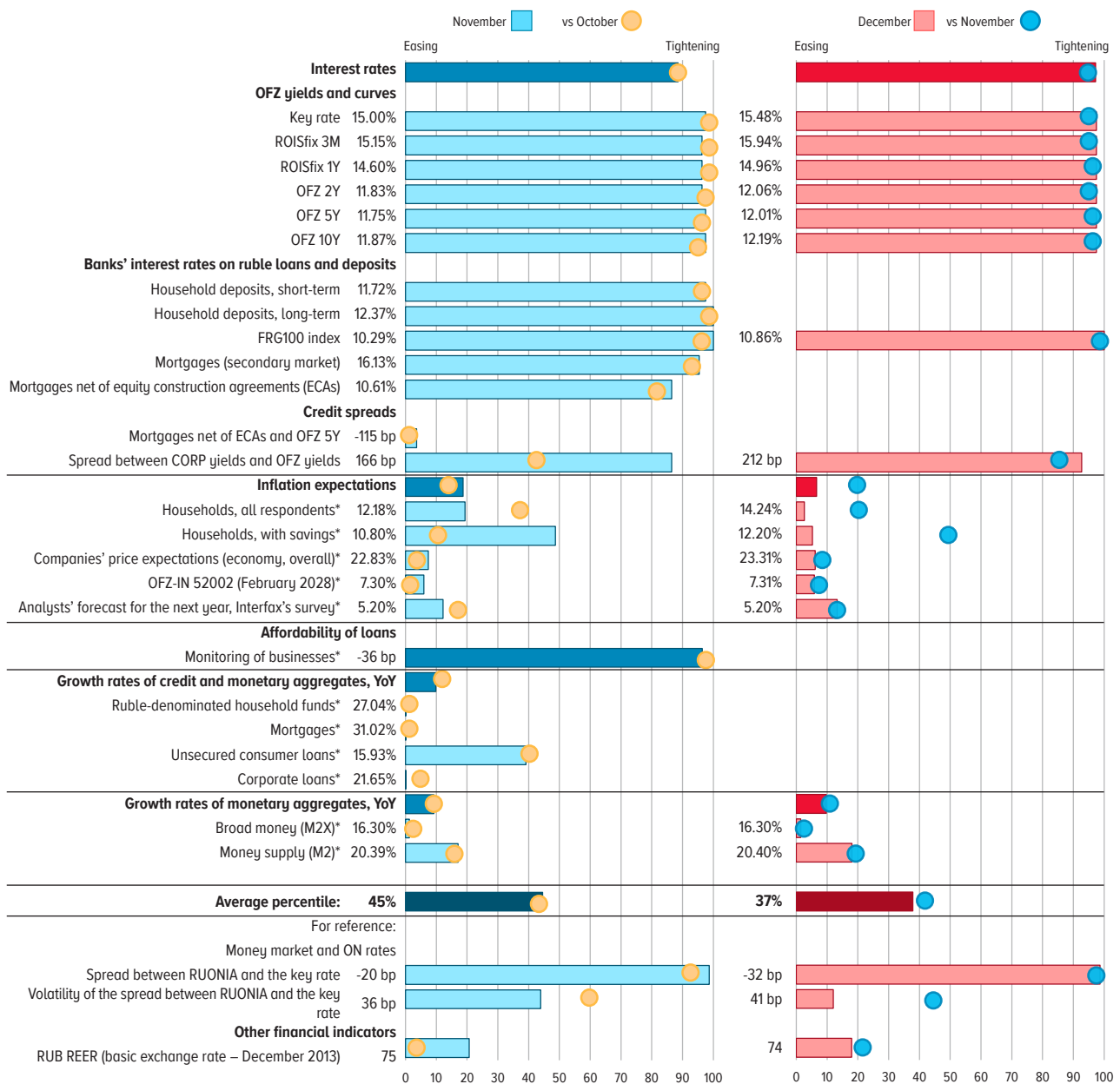
<sup>1</sup> See Appendix 1 to the [Monetary Policy Guidelines for 2024–2026](#).

## MONETARY CONDITIONS

In November–December, monetary conditions in the Russian economy were changing diversely (Chart 1). The increase in OFZ yields and interest rates in certain segments of the financial market, including the money, credit and deposit markets, as well as the expanded spread between corporate bonds and OFZs contributed to tighter monetary conditions. However, the repeated growth of households’ inflation expectations constrained the tightening of monetary conditions. Previous decisions of the Bank of Russia began to influence the Russian financial market, as evidenced in particular by a slight slowdown in retail lending activity. The annual growth rates of monetary aggregates were gradually decreasing but remained significantly above the values of 2017–2019.

SOME INDICATORS OF MONETARY POLICY TIGHTNESS AND THEIR CHANGES IN NOVEMBER AND DECEMBER

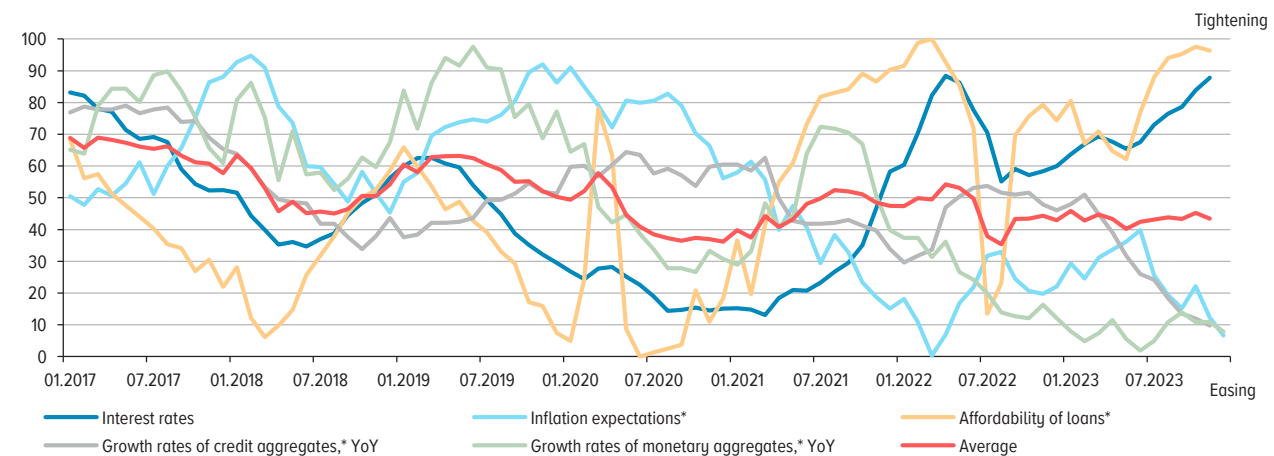
Chart 1



\* The indicators were used to calculate the inverse percentile (higher values are shown to the left).  
 Note. The indicator panel represents one of possible summary visualisations of the key indicators to help assess monetary conditions and their changes. It should not be considered as a comprehensive representation of all types of indicators that may be used to assess the nature and changes of monetary conditions.  
 The chart shows the level of the indicator (in percentiles) relative to the distribution of values from January 2017 to November 2023 (left-hand chart) and to December 2023 (right-hand chart). The indicator's level (in percentiles) as of the previous date is circled. A shift of the indicator to the left relative to the previous date indicates the easing of monetary conditions, a shift to the right – their tightening. Percentiles for high-frequency indicators (OFZ yields, money market rates, exchange rate, spread between CORP and OFZ yields, etc.) were calculated based on the averages for the relevant month. Due to its high volatility, the percentile for the spread between RUONIA and the key rate was taken out of the calculation of the overall average percentile.  
 Source: Bank of Russia calculations.

## HISTORICAL DYNAMICS OF INDIVIDUAL INDICATORS OF MONETARY POLICY TIGHTNESS

Chart 2



\* The indicators were used to calculate the inverse percentile.  
Source: Bank of Russia calculations.

## INTEREST RATE CHANNEL OF MONETARY POLICY TRANSMISSION MECHANISM

### 1. Key rate

On 15 December 2023, the Bank of Russia Board of Directors decided to raise the key rate by 100 bp to 16% per annum. The decision was made in order to further tighten the monetary conditions and reduce inflationary pressure given the fact that the lending growth rate was still high, and households' inflation expectations and companies' price expectations increased. The return of inflation to the target in 2024 and its further stabilisation near 4% imply that tight monetary conditions will be maintained in the economy for a long period.

The decision was in line with market expectations. Most participants expect the key rate to remain at 16.00% per annum throughout 2024 Q1.

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

In December, the average spread between RUONIA<sup>1</sup> (the Bank of Russia's operational benchmark) and the Bank of Russia key rate<sup>2</sup> was **-32 bp** (vs -20 bp in November; -23 bp over 2023) (Chart 5). The spread volatility was 41 bp (vs 36 bp in November; 28 bp over 2023).

In December, the spread between RUONIA and the key rate expanded, and the spread volatility rose. At the beginning of the month, many banks largely completed the averaging of required reserves (RRs) in the November averaging period (AP),<sup>3</sup> and the demand for liquidity decreased. On 11–12 December, the Bank of Russia held two fine-tuning deposit auctions to absorb excess liquidity and bring RUONIA closer to the key rate at the end of the November AP. At the beginning of the December<sup>4</sup> AP, interest rates' movements were determined by banks' expectations of the key rate increase at the meeting of the Bank of Russia Board of Directors on 15 December. As in the previous APs of 2023 H2, when the Bank of Russia Board of Directors held its key rate meetings, banks were

<sup>1</sup> RUONIA (Ruble Overnight Index Average) is the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the cost of unsecured overnight borrowing.

<sup>2</sup> The operational objective of the Bank of Russia's monetary policy within the inflation targeting strategy is to maintain rates in the unsecured overnight segment of the interbank money market close to the Bank of Russia key rate.

<sup>3</sup> 15.11.2023–12.12.2023.

<sup>4</sup> 13.12.2023–16.01.2024.

eager to average RRs ahead of schedule: to keep more funds in correspondent accounts during the period before the key rate increase and to lower balances in the following AP days. Consequently, at the beginning of the December AP, banks demonstrated greater demand for funds in the money market and the Bank of Russia's standing refinancing facilities. The spread was positive throughout this period. After the key rate increase, banks' demand for liquidity lowered and the spread became negative again. At the end of the month, the negative spread between RUONIA and the key rate expanded. At the end of the year, the amount of payments by bank clients, including recipients of budget funds, traditionally increased. Greater uncertainty over clients' cash flows did not allow banks to freely place funds at one-week auctions of the Bank of Russia. In such conditions, the Bank of Russia held a fine-tuning deposit auction and absorbed excess liquidity before the New Year holidays.

The average daily liquidity balance changed from a deficit of ₺0.9 trillion in November to ₺0.1 trillion in December. As of the beginning of 2024, the surplus was close to zero. This is below the range of ₺0.5–1.2 trillion forecast by the Bank of Russia. The value of the surplus at the end of the year largely depends on the impact of short-term factors and can be very volatile. The average daily liquidity balance over the AP is a more informative indicator of the long-term liquidity situation in the banking sector. Over the incomplete<sup>5</sup> December AP, the average daily surplus totalled ₺0.7 trillion, which was in line with the Bank of Russia's forecast for 2023.

In December, budget and other operations led to an inflow of ₺1.6 trillion into banks. The key factor was the partial financing of expenditures using proceeds from the sales by the Russian Ministry of Finance of foreign currency from the National Welfare Fund (NWF) outside the fiscal rule and the investment of NWF money in eligible financial assets.<sup>6</sup> Over 2023, budget and other operations led to an inflow of ₺1.0 trillion into banks. This was less than the Bank of Russia's forecast because some amount of budget expenditures that had been funded in late December was received by banks in early January. This was the main reason why the actual liquidity surplus deviated from the forecast value as of the end of 2023.

In December, demand for cash traditionally grew before the New Year holidays from both households and banks. The latter were accumulating sufficient amounts of cash in their cash offices and ATMs before the long holidays. Concurrently, the ongoing inflow of cash into banks amid high deposit rates resulted in a smaller-than-usual outflow of cash in December. Over the month, it amounted to ₺0.4 trillion, while in the previous few years,<sup>7</sup> the outflow of cash in December was about ₺0.5 trillion. In the first days of January, banks had some part of cash back through the collection of retail sales proceeds. Over the year, the liquidity outflow due to increased demand for cash was in line with the forecast and amounted to ₺2.0 trillion.

As before, one-week deposit auctions remained the main liquidity management tool in the December AP. In addition, the Bank of Russia held fine-tuning deposit auctions in order to absorb excess liquidity and bring money market rates closer to the key rate.

In December, demand at the one-month repo auction did not change and totalled ₺0.2 trillion. The limit for the said auction remained at the level of ₺0.1 trillion. Given the more efficient distribution of funds between banks, including in the money market, no long-term repo auctions have been scheduled for 2024. Nevertheless, these operations remain in the list of the Bank of Russia's monetary policy instruments and, if required, may be used to provide credit institutions with funds for a long period of time.

The liquidity balance forecast for 2024 will be published in February based on the updated macroeconomic forecast.

<sup>5</sup> The December AP is from 13 December 2023 to 16 January 2024. The calculation of the average value for the incomplete December AP is presented for the period from 13 December 2023 to 15 January 2024.

<sup>6</sup> Transactions conducted by the Russian Ministry of Finance with the NWF money led to an inflow of liquidity into banks, as the Bank of Russia did not mirror these transactions in the domestic FX market.

<sup>7</sup> Except for periods with higher demand for cash.

### 3. Money and debt market yield curves

**Money market curves.** In December, the ROISfix curve<sup>8</sup> shifted upwards along its entire length (+38–78 bp): ROISfix 1W – 15.07%; ROISfix 2W – 15.86%; ROISfix 1M – 15.90%; ROISfix 2M – 15.95%; ROISfix 3M – 16.04%; ROISfix 6M – 16.29%; ROISfix 1Y – 15.1%; ROISfix 2Y – 13.52% (Chart 6).

The contributors to the curve growth were the decision to raise the key rate to 16% and signals regarding the need to maintain tight monetary conditions in the economy for a long period.

**OFZ yield curve.** In December, OFZ yields were rising over the entire length of the curve (on average by 10–130 bp), most significantly in the short-term segment: OFZ 1Y – 12.78% (+128 bp); OFZ 2Y – 12.51% (+95 bp); OFZ 5Y – 11.75% (+12 bp); OFZ 10Y – 11.86% (+12 bp). The growth in short-term OFZ yields was higher than that in ROISfix yields; the spread between OFZs and money market rates narrowed: it changed by 60–70 bp for one- and two-year maturities, still remaining considerably above the median level since 2015. Over the year, OFZ yields increased by 115–150 bp on average.

The OFZ curve became inverted again. The spread between ten- and two-year OFZ yields was -65 bp (-83 bp MoM). The structure of the OFZ secondary market participants remained almost unchanged. Net sales were made by other banks and trustees, while net purchases were made by non-bank financial institutions (NFIs) and systemically important credit institutions (SICIs).

**Implied inflation.**<sup>9</sup> By the end of the month, yields on OFZ-IN 52002 (2028) grew by 40 bp to 7.52%, while the real yields – by 20 bp to 11.66%. In December, monthly average implied inflation for OFZ-IN 52002 (2028) remained unchanged compared to the previous month (7.31%; +1 bp). This was moderately below the 2023 Q4 level (7.69%). As of the end of 2023, average implied inflation increased by 75 bp.

**Primary OFZ market.** In December, the Russian Ministry of Finance raised a relatively small amount of funds (₽84 billion in December vs ₽301 billion in November). This was partly because the Ministry limited the offering of securities due to early implementation of the quarterly borrowing plan. Average weekly demand for OFZs decreased (₽53 billion in December vs ₽134 billion in November). Notably, most of the securities were bought by collective investors. Demand for OFZ-PD issues was elevated as the monetary policy tightening cycle was expected to approach its peak. When placing its standard securities, the Ministry offered a moderate premium to the secondary market yield (no more than +7 bp). In 2023, OFZ placements by the Russian Ministry of Finance reached ₽2.62 trillion, i.e. 97% of the updated annual borrowing plan of ₽2.71 trillion. The expansion of the 2023 placement programme was due to the substitution of the issuance of Russian sovereign Eurobonds.

### 4. Corporate bond market

**Secondary market.** Based on the IFX–Cbonds index, corporate bond yields continued to grow and reached 14.18% as of the end of December (+25 bp MoM). Over 2023, corporate bond yields grew by 446 bp year-on-year. In December, the average monthly spread between corporate and government bond yields continued to increase (212 bp; +43 bp), which was a local high and comparable to the figures of April 2023. As a result of the above movements in short-term OFZs, the spread expanded further due to remaining additional demand for such securities from individual market participants.

**Primary market.** In December, the amount of funds raised by corporate borrowers considerably exceeded the average value since the beginning of the year, but was comparable to the figure of December 2022 (₽1,832 billion in December 2023; ₽601 billion – the average from January to December 2023). About 60% of placements were available to a wide range of investors (₽1,118 billion in December vs ₽486 billion in November). The number of issuers in the market almost doubled and reached 80. Financial companies, including leasing ones, became the key borrowers. As of the end

<sup>8</sup> The OIS (ROISfix) curve – indicative rates (fixing) on RUONIA interest rate swaps.

<sup>9</sup> [Methodology for the calculation of the indicator.](#)

of December, the market of corporate bonds totalled ₱25.25 trillion (vs ₱23.63 trillion in November; +27.6% YoY).

In December, the amount of substitute bonds slightly declined (₱218 billion in December vs ₱290.6 billion in November). Nevertheless, according to the Cbonds index, yields edged down to 6.82% (-11 bp MoM) amid persistently high demand for securities. The issuers of substitute bonds were highly rated financial companies.

## 5. Credit and deposit market

**Deposit rates.** In November, retail deposit market rates continued to grow following the rise in OFZ yields in response to the key rate increase in September–October. Furthermore, in November, the rates grew faster than in previous months of the current monetary policy tightening cycle.

Banks were raising rates on deposits for six to twelve months most notably and en masse, which multiplied the turnover in this market segment. Since a considerable number of three-month deposits – the key driver of retail deposit activity after the key rate increase in August – matured in November, market participants were drawing customers' attention to deposits for six to twelve months probably in an attempt to avoid fund transfers from expiring deposits to current accounts before the New Year holidays.

According to recent data, retail deposit rates continued to grow in December but at a more moderate pace: over the month, the FRG100<sup>10</sup> index increased by 0.6 pp vs 1.3 pp in November (Chart 13). In addition, there is still some potential for their further growth, taking into consideration the need to maintain tight monetary conditions in the economy for a long period to ensure price stability, which was announced by the Bank of Russia Board of Directors at its December meeting.

**Deposit operations.** Significant growth in deposit yields continued to provide solid support to the dynamics of retail banking funding in November: as of the end of the month, the annual increase<sup>11</sup> in household funds with banks<sup>12</sup> was 21.0% vs 19.4% in October. Furthermore, as in previous months, growth was completely concentrated in the short-term segment, its decisive influence on the dynamics of the overall deposit portfolio strengthened again (Chart 14). First of all, this was associated with the fact that short-term deposits had higher liquidity with yields comparable to those on long-term deposits.

Household funds in escrow accounts increased by ₱254 billion in November, which was higher than the October increase (₱200 billion), but was lower than the record value achieved in September (more than ₱400 billion). This was largely due to a slowdown in their active withdrawal after the October surge in housing commissioning, while the increase in funds due to the opening of new accounts generally remained comparable to the September–October data, evidencing ongoing high activity in the mortgage market.

In November, the dynamics of foreign currency deposits were slightly positive. However, the strong growth of ruble accounts and deposits in combination with the ruble's strengthening at the end of the month led to a new reduction in the amount of foreign currency in the retail deposit portfolio to 8.8% from 9.4% in the previous month.

According to preliminary estimates, the seasonal growth in household funds in both bank accounts and deposits at the end of the year noticeably sped up in December. In the near future, changes

<sup>10</sup> The average interest rate of the 80 largest deposit banks on deposits for up to one year in an amount of at least ₱100,000, according to the Frank RG news agency.

<sup>11</sup> Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions included in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

<sup>12</sup> Hereinafter, individuals' funds with banks include balances in time deposits, demand deposits and current accounts, but do not include escrow accounts under equity construction contracts.

in household deposits will depend on the adjustment in banks' expectations for the regulator's monetary policy measures.

**Credit rates.** In November, interest rates on loans increased for all major types of borrowers, reflecting the monetary policy tightening and expectations of a further key rate increase due to the tougher stance of the regulator (Chart 12). According to preliminary data, the weighted average rate on short-term retail loans (mainly consumer loans) did not change significantly due to a more careful selection of borrowers. The weighted average long-term rate grew more slowly than the key rate owing to the rising share of subsidised mortgages in the total amount of new loans provided. The rate on loans for purchasing housing in the secondary market increased in November.

According to recent data, credit rates continued to grow in December (Chart 13). In the retail segment, changes were mainly observed in loans for consumer purposes and the purchase of housing in the secondary market. There was also weak growth in the subsidised lending segment, which was due to adjustments of conditions by certain major banks, in particular the cancellation of special offers. In the near future, it is expected that average market rates might continue to grow, creating tighter conditions in the credit market.

**Corporate lending.** In November, companies' demand for borrowings was strong despite the tightening of price lending conditions. The annual growth in the loan portfolio of companies<sup>13</sup> was 21.7% vs 20.8% in September–October (Chart 15). However, the growth of ruble lending slowed down slightly; some increased activity was mainly associated with a higher amount of borrowings in the currencies of friendly states. The growth in corporate lending was still largely driven by the medium- and long-term lending segment.

According to preliminary estimates, the annual increase in claims on companies remained high in December. In the short run, it might be expected that growth in lending rates associated with the monetary policy tightening by the Bank of Russia to curb inflation, would help ensure moderate dynamics of outstanding corporate loans.

**Retail lending.** In November, retail lending was still showing no signs of slowing down. Considering the large securitisation transaction, the November increase in lending to individuals<sup>14</sup> was significant. The annual growth in the retail loan portfolio was 24.7% in November vs 24.5% in the previous month (Chart 15).

Activity in the mortgage lending market remained high. The amount of mortgage housing loans issued in November totalled ₺726 billion, of which more than 75% were issued under subsidised mortgage programmes. On the one hand, households sought to improve their housing conditions amid expectations of tighter requirements for borrowers in the near future. In addition, purchases of real estate for investment purposes using subsidised mortgages became more attractive amid rising interest rates and increased inflation expectations of households.<sup>15</sup> On the other hand, tighter price lending conditions contributed to a cooling of activity in the secondary market. Consequently, the monthly growth of the housing mortgage loan portfolio<sup>16</sup> remained close to the October value. The annual growth of the housing mortgage loan portfolio increased to 31.0% from 30.6% in October due to lower growth values in the same month of the previous year (Chart 16).

In November, the growth rate of unsecured consumer lending remained the same month-on-month: the annual growth reached 15.9%.

According to recent data, in December, the retail lending growth rate remained close to the current level. The slowdown was associated with the repayment of obligations using payments due at the end of the year. In the near future, it might be expected that the Bank of Russia's monetary

<sup>13</sup> Hereinafter, the growth of lending to non-financial organisations, financial institutions, and individual entrepreneurs does not include claims acquired by banks.

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

<sup>15</sup> See [Inflation Expectations and Consumer Sentiment No. 11 \(83\), November 2023](#).

<sup>16</sup> Housing mortgage loans, net of claims on such loans acquired by banks.



policy measures and the tightening of requirements for borrowers would help gradually slow down the growth of retail lending.

## OTHER FINANCIAL MARKET SEGMENTS

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

In December, the exchange rate was volatile. By the end of the month, the ruble weakened slightly and amounted to 90.4 rubles per dollar (-1%); 99.6 rubles per euro (-2.3%), and 12.6 rubles per yuan (-0.98%). However, the monthly average exchange rate of the ruble remained almost unchanged (-0.6% MoM). Seasonal demand for foreign currency from businesses which needed to pay for imported goods and from households who intended to pay for foreign tourism services, as well as corporate external debt repayments, exerted pressure on the ruble.

The actual monthly exchange rate volatility edged up to 12.1% (vs 10.7% in November).

[The real effective exchange rate of the ruble](#) (REER), calculated against the currencies of the main foreign trade partners, increased by 6.4% in November (vs +1.1% in October; -17.7% YoY). According to preliminary data, in December, the REER edged down by 0.7% vs November, staying below its median value of recent years (-5.6% vs the median of January 2015–December 2023).

### 2. Capital market (welfare channel)

The Russian stock market went down by 2.1% in December, continuing the sideways trend of the previous four months. The Moscow Exchange index totalled 3,099 bp at the end of the month (+44.3% YoY). In December, the Russian Volatility Index (RVI) edged up to 28 points (+3 MoM; 28 points on average over 2021).

Among the industry indices, telecommunications and electric power companies' shares demonstrated the most notable drop (-5.2% and -3.7%, respectively), while transport companies' shares gained 7.2% as of the end of the month.

The total amount of transactions across all Moscow Exchange markets reached ₹140 trillion in December (+48% YoY). The trading in shares, depositary receipts and investment fund units totalled ₹2.1 trillion (vs ₹789 billion in December 2022). Average daily trades amounted to ₹99.7 billion (vs ₹96.9 billion in November 2023). In 2023, Moscow Exchange trading volumes reached ₹1.3 quadrillion.

#### Foreign markets

In December, the GDP weighted average policy rate in advanced economies remained the same as in November at 4.60% (0 bp MoM; 122 bp YtD). The Norges Bank raised its rate by 25 bp, while the Czech National Bank decreased its rate by the same amount. Concurrently, policy rates in most other economies continued to decline. In particular, policymakers in Brazil and Georgia decreased their policy rates by 50 bp, while in Hungary and Chile – by 75 bp. As of the end of the month, the weighted average policy rate decreased in Latin America to 10.73% (-30 bp; -90 bp), in Central and Eastern Europe, and Central Asia to 8.42% (-25 bp; -90 bp). In South and Southeast Asia, the rate remained unchanged at 6.05% (0 bp; +39 bp). In African countries, the weighted average rate grew to 11.40% (+37 bp; +161 bp). In Turkey, the policy rate was raised for the seventh time in a row (to 42.5% by 250 bp).

The US Treasury yield curve continued to decline in December. As in November, most of changes occurred in the medium- and long-term segments (UST 2Y: 4.25%, -45 bp MoM; UST 10Y: 3.88%, -49 bp MoM). Other countries recorded similar declines in yields. Markets responded to the further weakening of inflationary pressures and the signal regarding the end of the tightening cycle given by the US Fed at its December meeting.

Consequently, long-term yields were dropping for the second month in a row, with policy rates expected to decrease already in the spring. Compared to the end of 2022, the medium and long-term segments of

the US Treasury yield curve changed insignificantly, while the short-term segment grew in line with the Federal funds rate increase.

Signs of a peak in monetary tightening worldwide and expectations of an earlier start of policy rate decreases by major central banks supported demand for risky assets. In December, advanced economies' indices mainly continued to grow, although more moderately than in November (S&P 500: +4.4%; Stoxx 600: +3.8%, Nikkei 225: -0.1%) (Chart 20). As of the end of the year, they also demonstrated positive trends on average (S&P 500: +24.2%; Stoxx 600: +12.7%, Nikkei 225: +28.2%). Japanese stocks were supported by the Bank of Japan's ultra-loose monetary policy and a weak yen throughout the year. Changes in US indices were largely explained by increased demand for shares of individual companies, as well as decreased inflationary pressure. Due to higher vulnerability of the euro area and UK economies, their indices were growing at a slower pace. Stock indices in national currencies of emerging market economies (EMEs) were positive on average as of the end of December (MSCI EM: +3.7%; Bovespa: +5.4%; IPC Mexico: +6.2%; SSE Composite: -1.8%; BIST 100: -6.0%) (Chart 20) and 2023 in general (MSCI EM: +7.0%; Bovespa: +22.3%; IPC Mexico: +18.4%; SSE Composite: -3.7%; BIST 100: +35.6%). Chinese stocks were lagging behind due to the country's economic, geopolitical and regulatory uncertainty. Market optimism had a positive effect on EMEs' currencies which continued to strengthen against the US dollar in December (BRL: +1.4%; MXN: +2.3%; CNY: +0.1%). Contrastingly, the Turkish lira continued to depreciate in December (-2.4%), despite an increase in the policy rate by the Central Bank of the Republic of Turkey. The currencies demonstrated different dynamics over the year: while the Brazilian real and the Mexican peso strengthened, the Turkish lira, the Russian ruble, and the Chinese yuan weakened against the US dollar.

## MONEY SUPPLY

In November, the dynamics of money supply were still mainly determined by high lending activity, especially in the corporate segment. The annual growth rate of claims on the economy<sup>17</sup> increased noticeably again – up to 23.5% from 21.8% in October. Consequently, despite the ongoing reduction in the contribution of budget operations and still noticeable negative contribution of escrow accounts to the dynamics of monetary aggregates, the annual growth of broad money (M2X), excluding currency revaluation, expanded to 16.3% from 16.1% in October, while the growth in money supply in the national definition (M2) edged down under the impact of weak positive dynamics of balances in foreign currency accounts and deposits to 20.4% from 20.5% in October (Chart 21).

Concurrently, cash in circulation outside the banking system (M0) continued to decline as in September–October: its annual increase was 14.5% vs 17.3% at the beginning of the month. This was largely due to the increased attractiveness of bank deposits as a savings instrument for households because of rising interest rates.

According to preliminary estimates, in December, the monthly growth rates of monetary aggregates were higher due to seasonal factors as of the end of the year, but were noticeably lower than similar indicators of previous years. Therefore, their annual increases were lower compared to the November values, but were still high compared to readings of previous years.

<sup>17</sup> The banking system's claims on the economy mean all claims of the banking system on non-financial organisations, financial institutions, and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in equity of non-financial organisations and financial institutions, and other receivables under settlement operations with non-financial organisations, financial institutions, and households.

## CHARTS AND TABLES

IN DECEMBER, THE BANKING SECTOR SHOWED A LIQUIDITY SURPLUS  
(START OF BUSINESS, ₺ BILLIONS)

Table 1

	01.01.2022	01.01.2023	01.04.2023	01.07.2023	01.10.2023	01.12.2023	01.01.2024
<b>Liquidity deficit (+)/surplus</b>	<b>-1,134</b>	<b>-3,471</b>	<b>-1,982</b>	<b>-1,030</b>	<b>796</b>	<b>1,186</b>	<b>-34</b>
<b>Bank of Russia claims on credit institutions</b>	<b>909</b>	<b>1,808</b>	<b>2,072</b>	<b>1,926</b>	<b>2,107</b>	<b>2,876</b>	<b>2,969</b>
Auction-based facilities	116	1,492	1,766	1,378	1,203	992	885
– repos and FX swaps	116	1,492	1,766	1,378	1,203	992	885
Standing facilities	793	317	306	548	905	1,883	2,085
– repos and FX swaps	3	8	8	2	0	0	11
– secured loans	790	309	299	547	905	1,883	2,073
<b>The Bank of Russia's liabilities to credit institutions</b>	<b>2,804</b>	<b>4,949</b>	<b>3,544</b>	<b>2,754</b>	<b>2,890</b>	<b>1,757</b>	<b>3,380</b>
Deposits	2,804	4,949	3,544	2,754	2,890	1,757	3,380
– auction-based facilities	1,626	3,621	2,450	1,747	1,976	300	2,341
– standing facilities	1,178	1,328	1,094	1,008	914	1,457	1,038
<b>Reverse facilities, other than instruments for regulating bank liquidity and money market rates*</b>	<b>204</b>	<b>331</b>	<b>354</b>	<b>282</b>	<b>344</b>	<b>492</b>	<b>342</b>
<b>Correspondent accounts with the Bank of Russia</b>	<b>2,651</b>	<b>2,984</b>	<b>3,317</b>	<b>4,105</b>	<b>3,269</b>	<b>5,021</b>	<b>4,530</b>
<b>Average amount of required reserves</b>	<b>3,207</b>	<b>2,322</b>	<b>2,453</b>	<b>3,621</b>	<b>4,504</b>	<b>4,596</b>	<b>4,565</b>

\* The difference between the Bank of Russia's claims on credit institutions on specialised facilities, operations within the additional liquidity providing mechanism, loans within irrevocable credit lines, and the Bank of Russia's obligations to return rubles on the Bank of Russia's Foreign Currency/RUB sell/buy FX swaps.  
Source: Bank of Russia calculations.

THE LIQUIDITY BALANCE FORECAST FOR 2024 WILL BE PUBLISHED IN FEBRUARY  
(₺ BILLIONS)

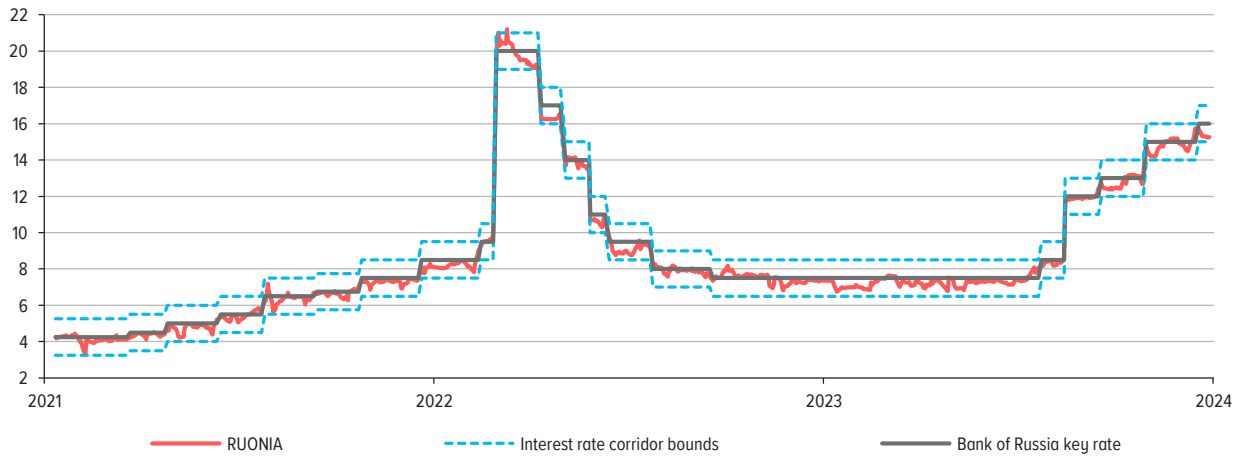
Table 2

	2022 (actual)	2023 (actual)	December 2023	2023 (forecast)
<b>1. Liquidity factors</b>	<b>1.5</b>	<b>-1.2</b>	<b>1.2</b>	<b>[-0.6; 0]</b>
– change in the balances of funds in general government accounts with the Bank of Russia, and other operations*	3.2	1.0	1.6	[1.8; 2.0]
– change in the amount of cash in circulation	-2.3	-2.0	-0.4	[-2.3; -1.9]
– Bank of Russia interventions in the domestic foreign exchange market	-0.1	-	-	-
– regulation of banks' required reserves with the Bank of Russia	0.7	-0.1	0.0	-0.1
<b>2. Change in the averaged amount of required reserves</b>	<b>-0.9</b>	<b>2.2</b>	<b>0.0</b>	<b>[2.3; 2.4]</b>
<b>3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs</b>	<b>0.8</b>	<b>-1.6</b>	<b>1.6</b>	<b>[-2.3; -1.6]</b>
<b>4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)</b>	<b>-1.5</b>	<b>1.9</b>	<b>0.4</b>	<b>0.7</b>
<b>Liquidity deficit (+)/surplus (-) (as of the period-end)</b>	<b>-3.5</b>		<b>0.0</b>	<b>[-1.2; -0.5]</b>

\* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.  
Source: Bank of Russia calculations.

RUONIA DYNAMICS (%)

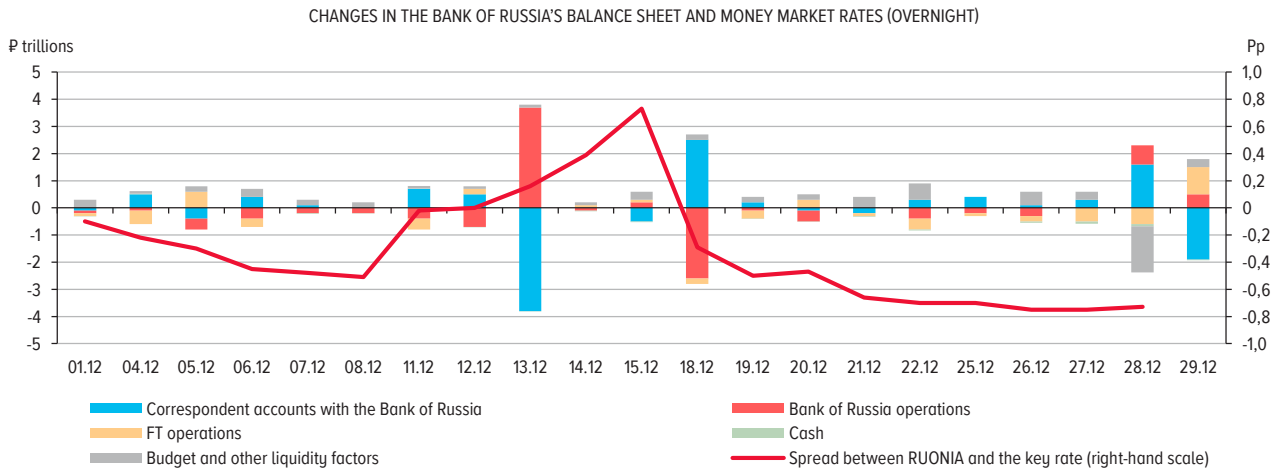
Chart 3



Source: Bank of Russia calculations.

BUDGET OPERATIONS LED TO A LIQUIDITY INFLOW IN DECEMBER 2023

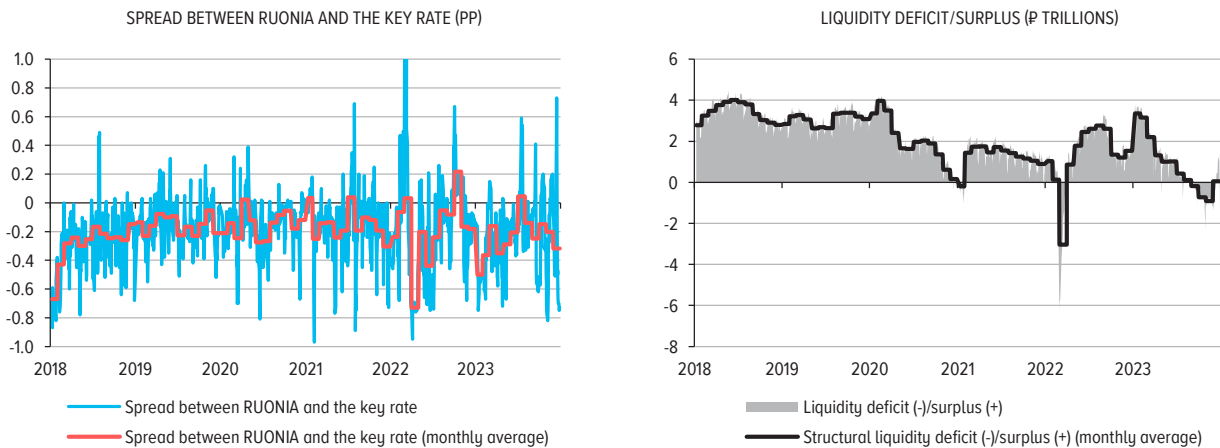
Chart 4



Source: Bank of Russia calculations.

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

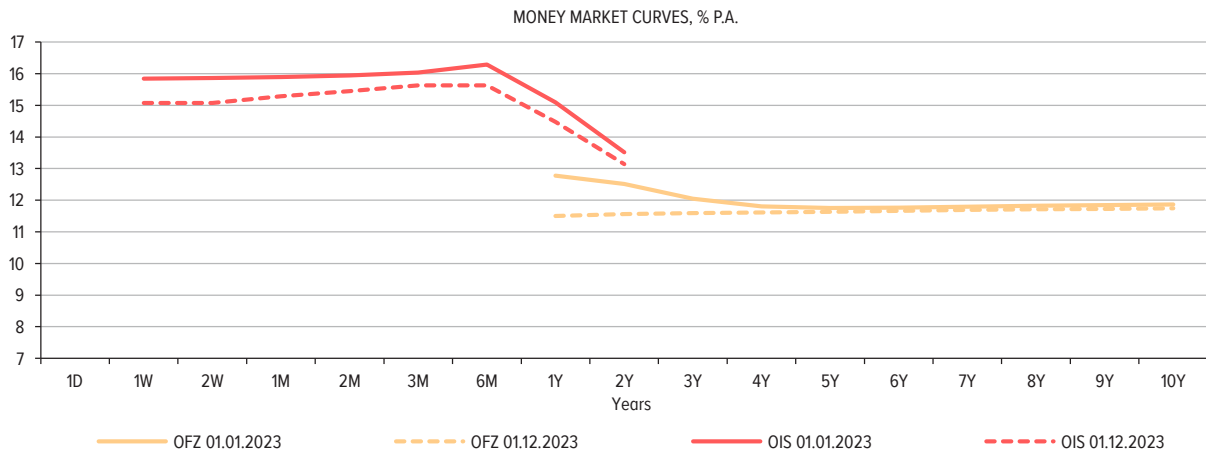
Chart 5



Source: Bank of Russia calculations.

IN DECEMBER, SHORT-TERM RATES IN THE MONEY MARKET INCREASED, WHEREAS LONG-TERM ONES DECLINED

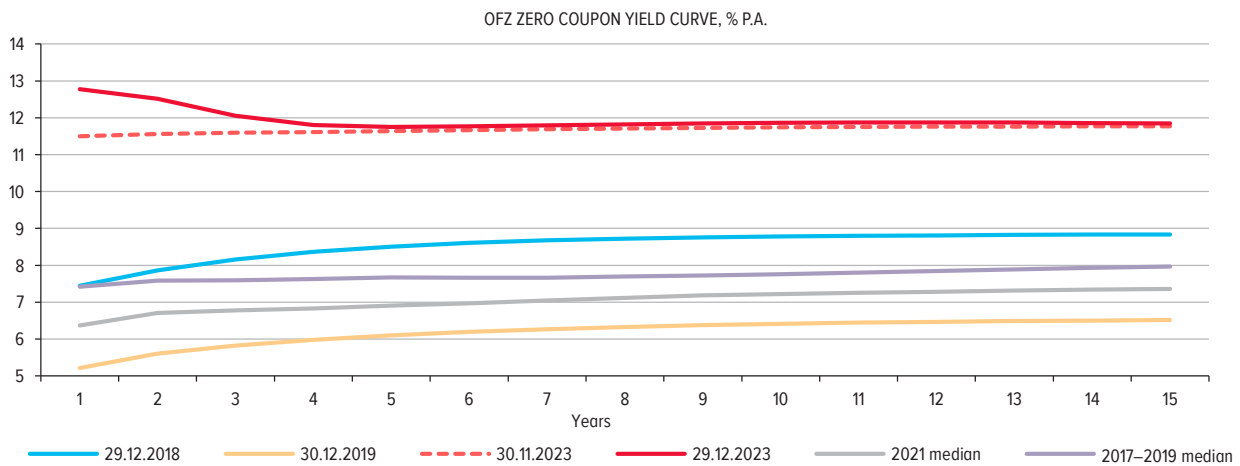
Chart 6



Note. The IRS curve for maturities of up to one year is built using ROISfix rates with respective maturities.  
Sources: Moscow Exchange, NFA.

THE OFZ YIELD CURVE MOVED UPWARDS, ESPECIALLY FOR SHORT-TERM MATURITIES

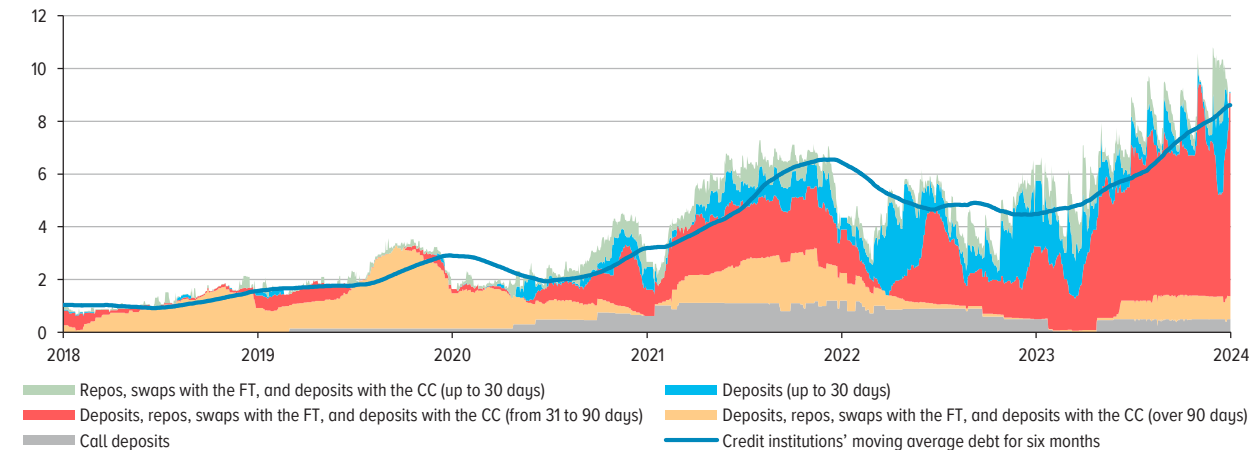
Chart 7



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

CREDIT INSTITUTIONS' OUTSTANDING AMOUNTS DUE TO THE FEDERAL TREASURY DECREASED BY ₺1.4 TRILLION IN DECEMBER 2023

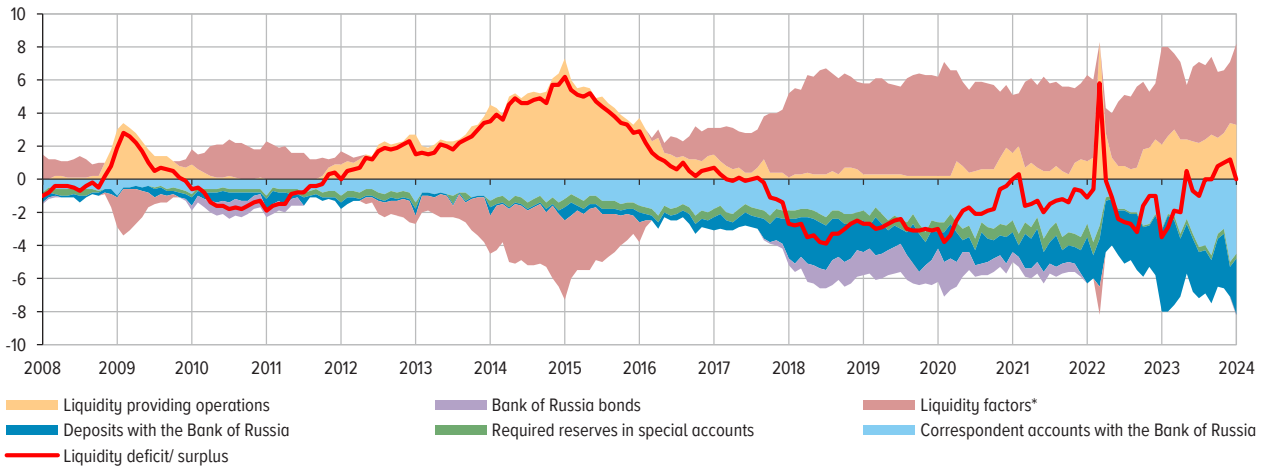
Chart 8



Sources: Federal Treasury, Bank of Russia calculations.

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

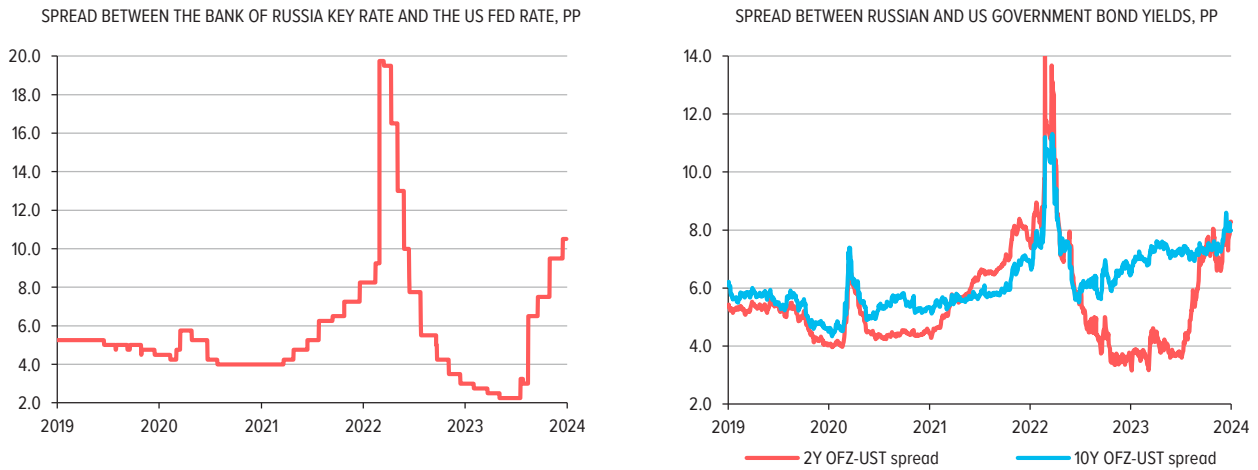
Chart 9



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

THE SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS EXPANDED

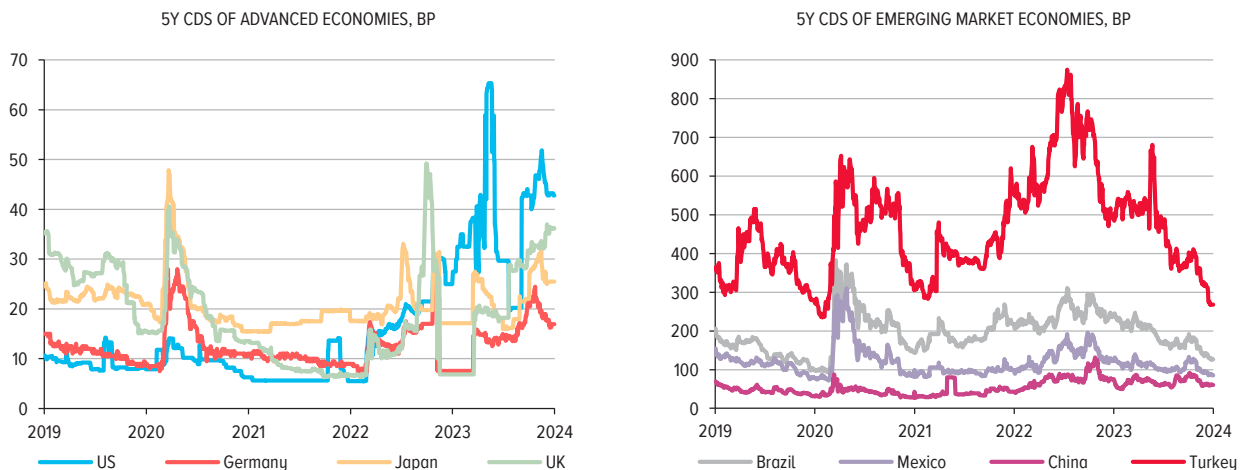
Chart 10



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

CDS SPREADS IN MOST COUNTRIES SLIGHTLY DECLINED

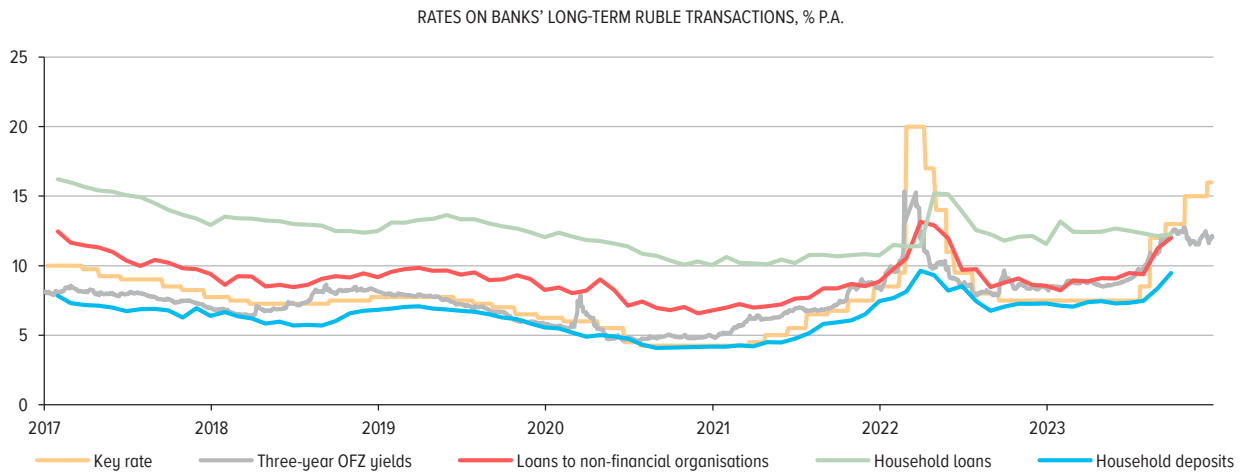
Chart 11



Sources: Cbonds, Bank of Russia calculations.

IN NOVEMBER, THE MONETARY TIGHTENING MANIFESTED ITSELF IN A FURTHER INCREASE IN INTEREST RATES

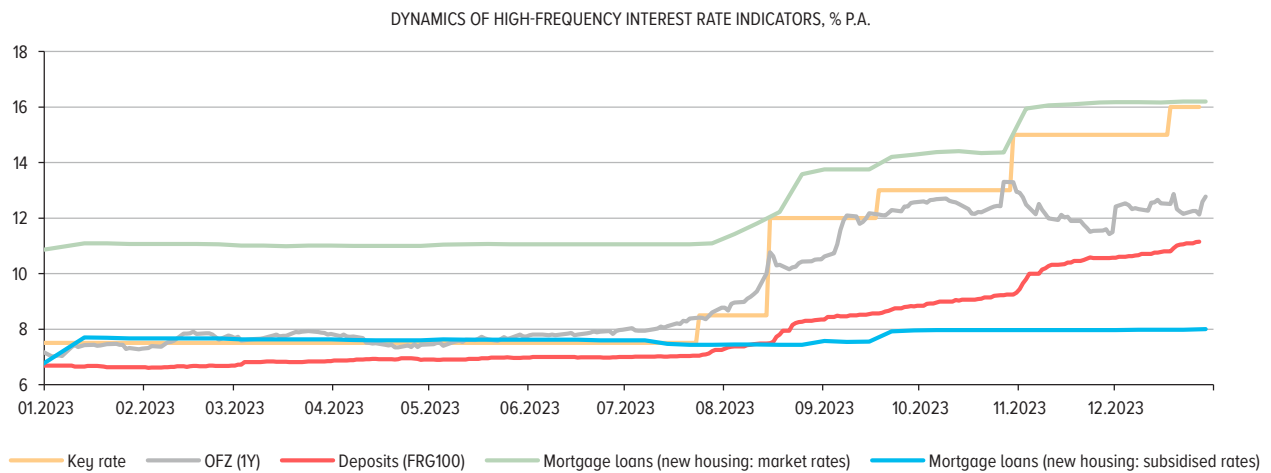
Chart 12



Source: Bank of Russia.

BANKS CONTINUED TO ADJUST RATES UPWARDS IN NOVEMBER–DECEMBER

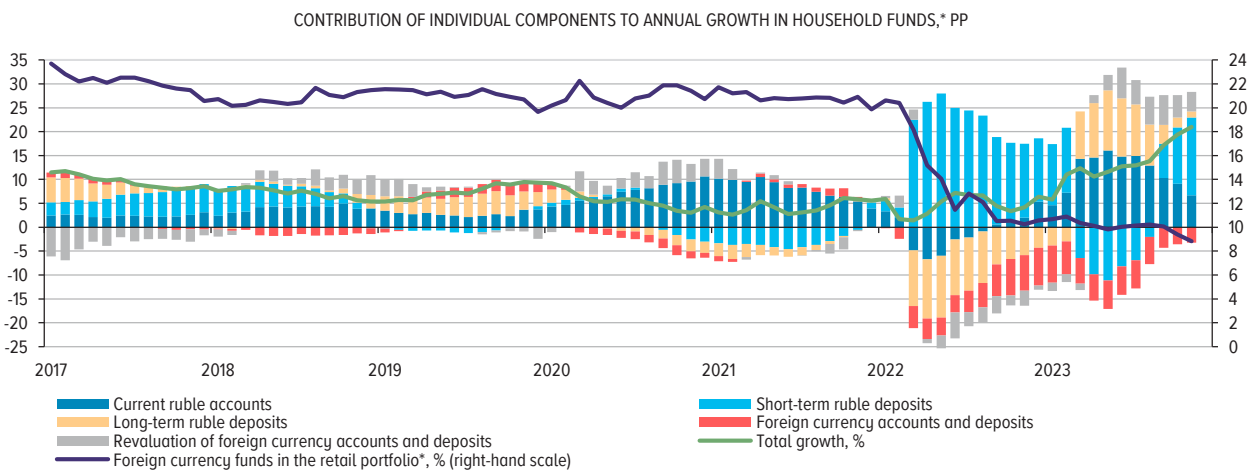
Chart 13



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

AS OF THE END OF NOVEMBER, FUNDS IN SHORT-TERM RUBLE DEPOSITS REMAINED THE KEY DRIVER OF GROWTH IN BANK DEPOSIT PORTFOLIOS

Chart 14



\* Excluding escrow accounts.

Source: Bank of Russia calculations.

CREDIT ACTIVITY REMAINED HIGH IN NOVEMBER

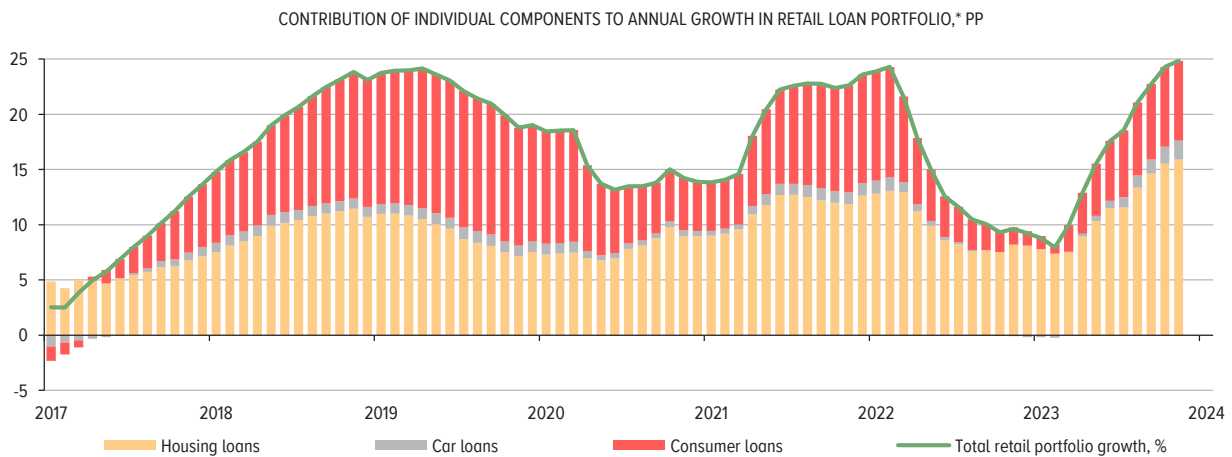
Chart 15



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

SUBSIDISED MORTGAGE PROGRAMMES WERE THE MAIN CONTRIBUTORS TO THE RETAIL LENDING DYNAMICS IN NOVEMBER

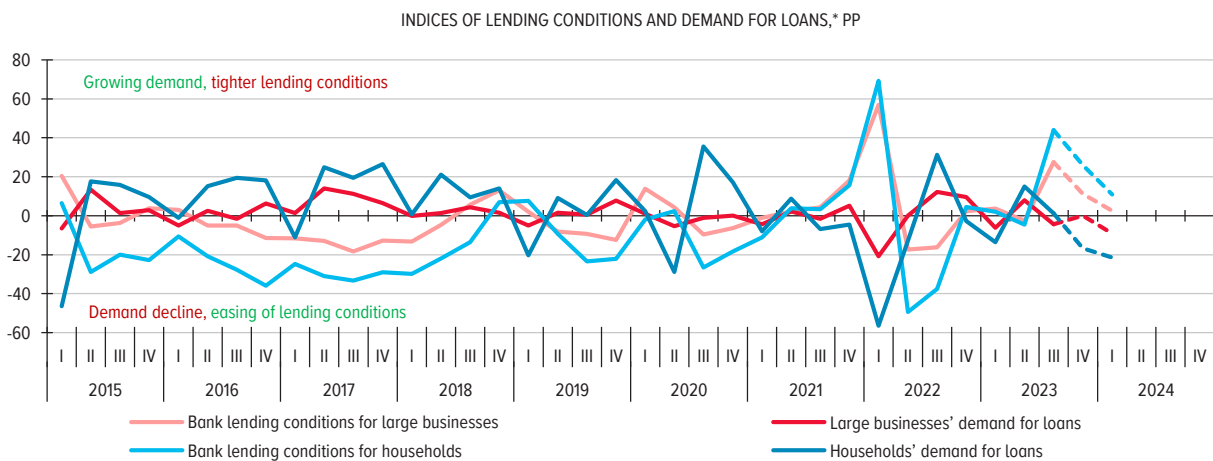
Chart 16



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

BANKS EXPECT A DECREASE IN DEMAND FOR BORROWED FUNDS IN 2024 Q1

Chart 17



\* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2023 Q3.  
Source: Bank of Russia.



## CREDIT AND DEPOSIT MARKET INDICATORS

Table 3

		August 2023	September 2023	October 2023	November 2023
<b>Interest rates on banks' long-term ruble transactions</b>					
household deposits	% p.a.	8.4	9.5	10.1	12.4
household loans	% p.a.	12.1	12.3	13.4	13.6
corporate loans	% p.a.	11.2	12.0	12.5	-
<b>Household funds*</b>	<b>% YoY, AFCR</b>	<b>13.8</b>	<b>17.1</b>	<b>19.4</b>	<b>21.0</b>
in rubles*	% YoY	22.2	24.0	25.7	27.0
in foreign currency	% YoY	-36.4	-30.5	-27.0	-25.9
share of foreign currency*	%	10.2	10.1	9.4	8.8
<b>Corporate loans**</b>	<b>% YoY, AFCR</b>	<b>20.6</b>	<b>20.8</b>	<b>20.8</b>	<b>21.7</b>
short-term (up to 1 year)	% YoY, AFCR	9.2	11.4	12.9	14.7
long-term (more than 1 year)	% YoY, AFCR	25.9	25.4	25.0	25.5
<b>Household loans**</b>	<b>% YoY, AFCR</b>	<b>21.3</b>	<b>23.0</b>	<b>24.5</b>	<b>24.7</b>
housing mortgage loans	% YoY, AFCR	26.9	29.1	30.6	31.0
unsecured consumer loans	% YoY	14.4	15.0	15.9	15.9
<b>Banking system's claims on the economy</b>	<b>% YoY, AFCR</b>	<b>20.0</b>	<b>21.5</b>	<b>21.8</b>	<b>23.5</b>
on businesses	% YoY, AFCR	19.8	21.2	21.0	23.2
on households	% YoY, AFCR	20.6	22.3	23.7	24.3
<b>Money supply (M2)</b>	<b>% YoY</b>	<b>22.9</b>	<b>20.6</b>	<b>20.5</b>	<b>20.4</b>
<b>Broad money supply (M2X)</b>	<b>% YoY, AFCR</b>	<b>15.5</b>	<b>15.1</b>	<b>16.1</b>	<b>16.3</b>

\*Excluding escrow accounts.

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

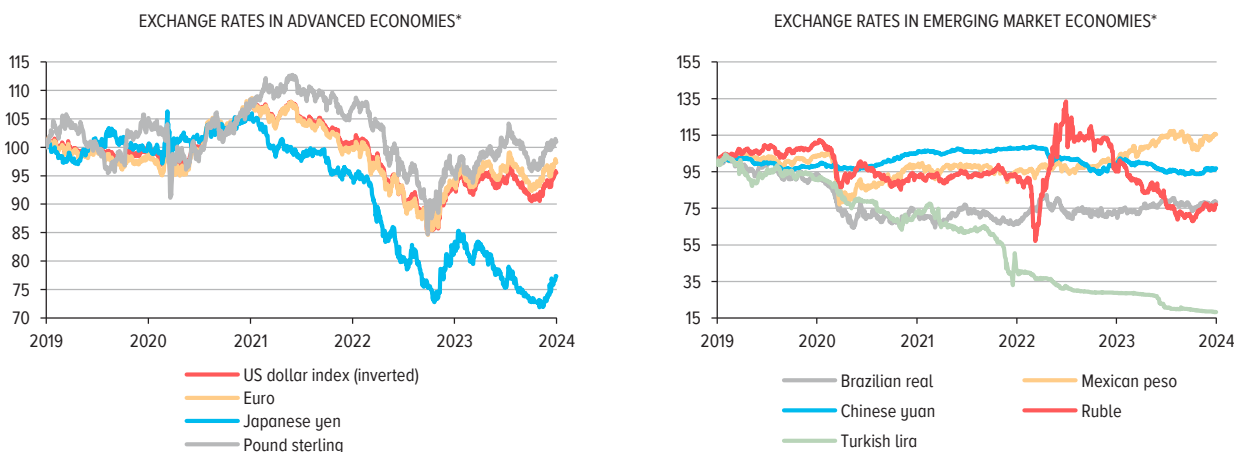
Note. YoY – on the corresponding period of the previous year, AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

## THE US DOLLAR DEPRECIATED AGAINST THE MAIN WORLD CURRENCIES IN DECEMBER

Chart 18

(02.01.2019 = 100)



\* Against the US dollar. Reverse exchange rates.

Sources: Cbonds, Bank of Russia calculations.

## RUSSIAN FINANCIAL MARKET SEGMENTS MOSTLY SHOWED NEGATIVE TRENDS IN DECEMBER

Table 4

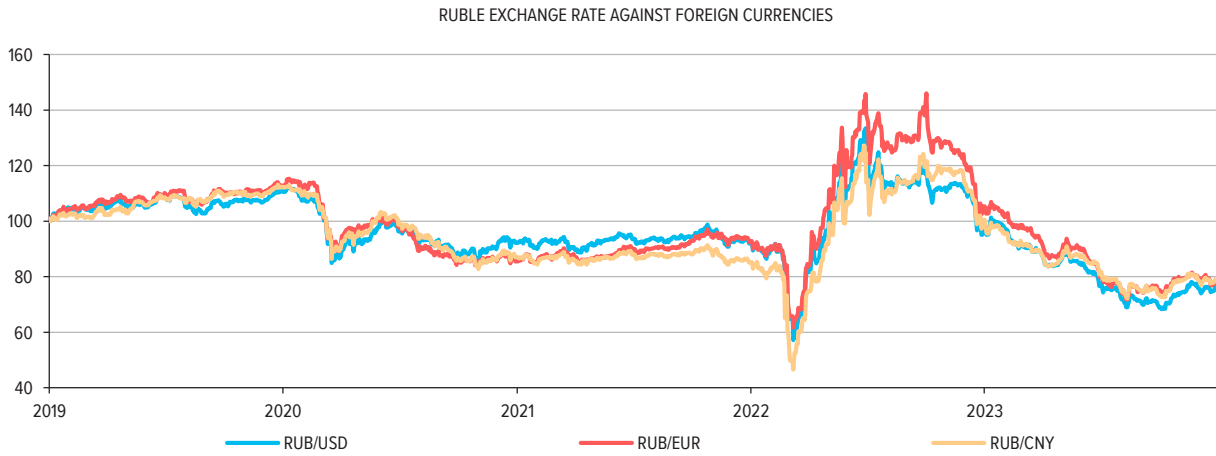
Measure		31.12.2023	1M	3M	6M	YTD	1Y
<b>Russian financial market ('+' – positive trends, '-' – negative trends)</b>							
RUB/USD exchange rate		90.36	-1.0	7.8	-1.9	-29.3	-25.2
MOEX Index, bp		3,099	-2.1	-1.1	10.9	43.9	44.3
RTS Index, bp		1,083	-2.8	7.5	9.1	11.6	15.7
Government bond yields, %		11.98	27	-14	166	237	233
Corporate bond yields, %		14.18	25	105	460	446	440
Regional bond yields, %		12.62	-15	1	319	360	359
RVI, p		28	3	0	-6	-12	-14
<b>Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)</b>							
AEs*	US Dollar Index	101.38	-2.0	-4.5	-1.6	-2.1	-2.4
	Euro	1.10	1.4	4.4	1.1	3.1	3.5
	Japanese yen	141.04	-4.9	-5.6	-2.5	7.4	6.0
	Pound sterling	1.27	0.8	4.3	0.3	5.3	5.5
EMEs	Ruble	90.36	-1.0	7.8	-1.9	-29.3	-25.2
	Brazilian real	4.85	1.4	3.6	-0.9	8.2	8.1
	Mexican peso	16.98	2.3	2.5	0.5	12.9	12.8
	Chinese yuan	7.08	0.1	3.0	2.2	-2.6	-1.7
	Turkish lira	29.57	-2.4	-7.9	-14.2	-58.0	-58.1
	South African rand	18.30	2.9	3.3	2.6	-7.7	-8.1
<b>10-year bond yield (% p.a., change in bp, '+' – growth, '-' – decline)</b>							
AEs	USA	3.88	-49	-71	2	0	5
	Germany	2.02	-43	-82	-41	-54	-41
	Japan	0.61	-4	-15	21	20	16
	UK	3.53	-64	-91	-91	-13	-13
EMEs	Russia	11.86	12	-7	78	156	147
	Brazil	10.36	-50	-143	-26	-240	-240
	Mexico	9.27	-45	-108	27	-9	-4
	China	2.59	-11	-11	-11	-29	-30
	Turkey	25.13	-66	-205	838	1,537	1,467
	South Africa	9.77	-21	-104	-73	-42	-49
<b>5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)</b>							
AEs	USA	43	-2	0	13	18	18
	Germany	17	-2	-5	3	9	9
	Japan	26	-1	4	10	8	8
	UK	36	1	4	18	29	29
EMEs	Brazil	126	-16	-51	-42	-114	-113
	Mexico	85	-11	-36	-12	-39	-37
	China	61	0	-22	1	-15	-13
	Turkey	268	-53	-110	-207	-221	-222
	South Africa	197	-36	-78	-63	-49	-50
<b>Stock indices (points, % change, '+' – increase, '-' – decrease)</b>							
AEs	S&P 500	4,770	4.42	11.2	7.1	24.2	23.9
	Stoxx 600	479	3.77	6.4	3.9	12.7	11.3
	Nikkei 225	33,464	-0.07	5.0	-0.9	28.2	28.6
	FTSE 100	7,733	3.75	1.6	2.7	3.8	2.9
EMEs	MSCI EM	1,024	3.71	7.4	1.9	7.0	6.9
	Bovespa	134,185	5.38	15.1	12.1	22.3	22.3
	IPC Mexico	57,386	6.15	12.8	5.5	18.4	15.9
	SSE Composite	2,975	-1.81	-4.4	-8.3	-3.7	-3.2
	BIST 100	7,470	-6.02	-10.4	24.2	35.6	36.4
	FTSE/JSE	76,893	1.80	6.2	0.9	5.3	4.5

\* Advanced economies.

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

THE RUBLE WEAKENED SLIGHTLY IN DECEMBER  
(02.01.2019 = 100)

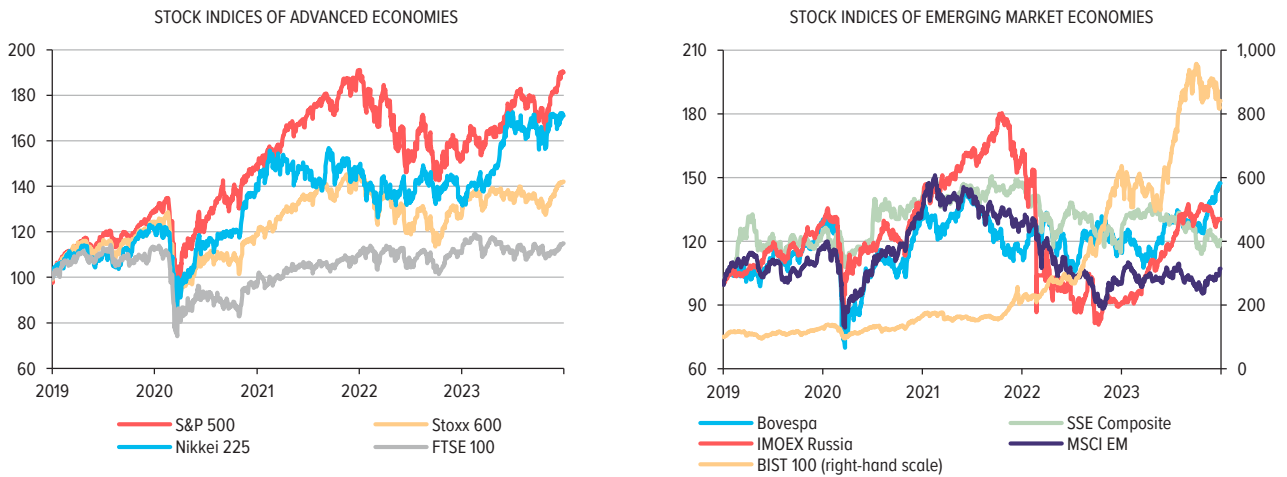
Chart 19



Sources: Cbonds, Bank of Russia calculations.

STOCK INDICES WERE MOSTLY RISING  
(02.01.2019 = 100)

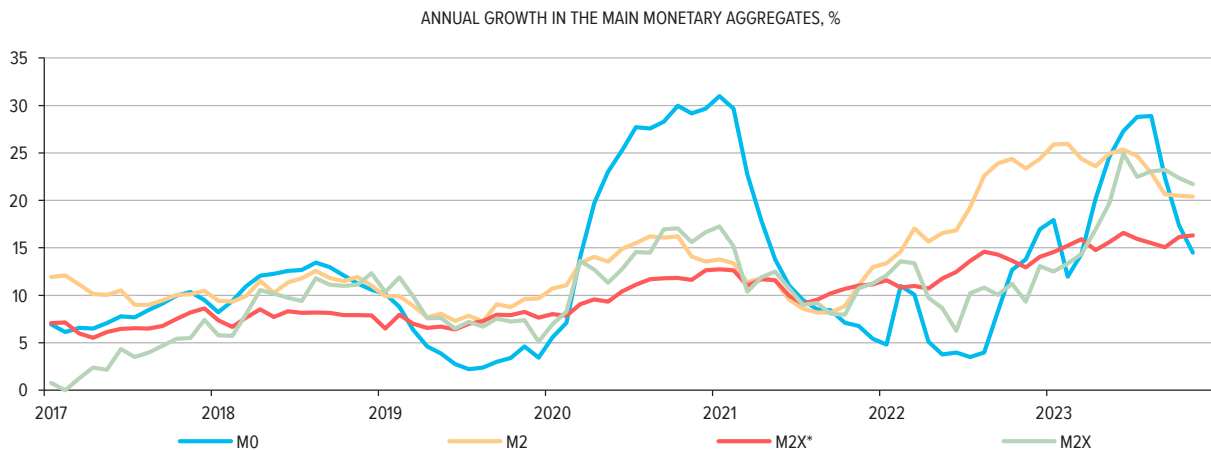
Chart 20



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

IN NOVEMBER, MONETARY AGGREGATES CHANGED ALONG WITH THE OCTOBER TRENDS

Chart 21



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

Data cut-off dates:

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

The electronic version of the [information and analytical commentary](#) is available on the Bank of Russia website. Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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