



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

No. 25 • February 2024

7 February 2024

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

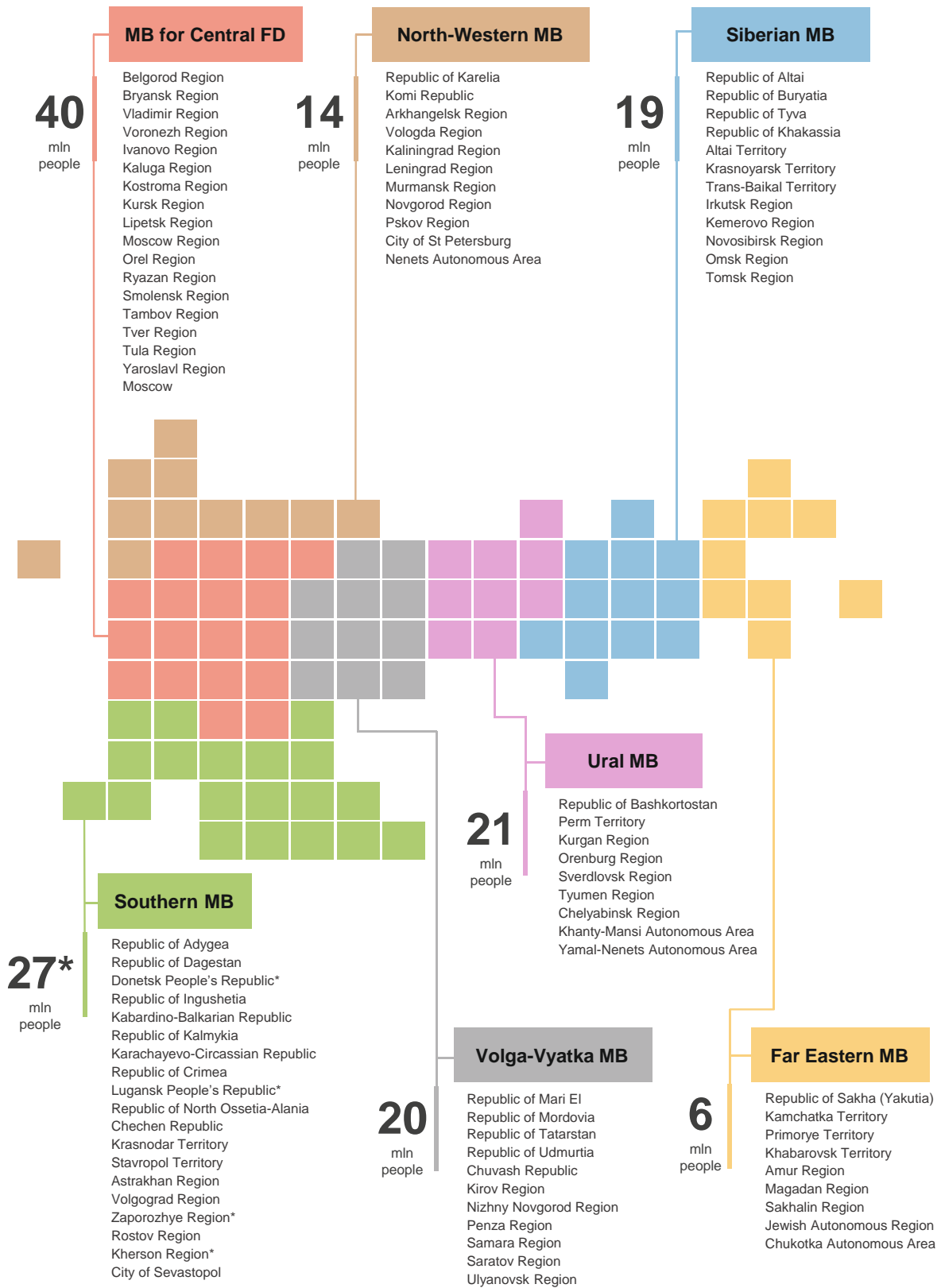
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson 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 entrepreneur 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 January 2024, we surveyed 10,082 companies.

RUSSIAN FEDERATION

In December 2023–January 2024, growth in consumer activity decelerated, which resulted in a slowdown in the growth of consumer prices driven by an increase in the propensity to save. The demand for loans from households and businesses lowered owing to growth in rates. Nevertheless, inflation pressure is still elevated. Consumer demand remains high and supports the pass-through of higher costs, including from the labour market, to prices.

Economic activity continued to expand. Food enterprises of Volga-Vyatka, the North-West, and the Urals ramped up output and entered new foreign markets. Transport infrastructure was rapidly developing in the South and in the Far East to increase turnover with Asian countries. However, in Siberia, the remaining logistics restrictions resulted in a decrease in the production of coal. New pharmaceutical facilities opened in Central Russia, including as part of import substitution. Based on the results of 2023, regions' own revenues grew mostly driven by payments of profit tax (see the Box *'Regional budgets: 2023 results and 2024 plans'*).

The labour market remains tight. The demand for staff remains high, and most urgent in industry, agriculture, transportation, and storage.

Growth in consumer activity slowed down. However, the goods and services markets were still overheated. The demand for non-food goods began to decrease as individuals started to postpone purchases, since saving money became more attractive. Growth in food sales slowed down as compared with the autumn months. However, the demand for catering services and tourism (especially domestic) saw a noticeable rise. In this context, during the recent New Year holidays, the domestic tourist flow was considerably higher than a year before. Ski resorts accounted for the most significant growth.

Monthly growth in consumer prices (seasonally adjusted) slowed down in December 2023 across all macro-regions and the majority of groups of goods and services following the trend in consumer activity. The slowdown in the growth in prices for meat products, fruit and vegetables, cars, and personal services was most noticeable. However, in general, prices grew at increased rates. The Box *'Industry focus. Meat and egg market: output and price factors'* is dedicated to prices and output in the meat and egg market. According to the weekly statistics, price growth continued to slow down in January. Nationwide, businesses' price expectations were up again; however, the trends diverged across regions and industries.

In 2023, a record amount of housing was commissioned and mortgage lending hit a new high (see the Box *'Housing market and mortgages'*). Government subsidised loans were the main market driver. Integrated territory development projects in a number of regions were attracting federal developers.

Demand for loans from households and businesses was down on the back of growing rates. In December 2023, annual growth in the consumer loan portfolio slowed down as a result of the toughening of the Bank of Russia's regulatory measures, among other reasons. The rise in deposit rates propelled growth in households' deposits to accelerate.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Industrial production in the macro-region adjusted to the high demand and increased faster than the national average driven by the production of food products, electronic equipment, and clothing. Expansion of domestic tourism still contributed to more active growth in services and public catering, first of all in the metropolitan area, as compared with the average growth across Russia. Price expectations of companies in the macro-region lowered, while remaining above the average Russian values.

NORTH-WESTERN MAIN BRANCH. After a decline in December, consumer activity increased in January driven by domestic tourism, among other reasons. When demand increased, the rebound in the woodworking industry was somewhat faster than the national average thanks to logistics chains being arranged and measures of government support. The enterprises of the macro-region expanded the range of pipe products manufactured as part of import substitution.

VOLGA-VYATKA MAIN BRANCH. Price expectations of the macro-region's enterprises, including retailers, edged down. Investment activity and capacity utilisation rates in industry were above the national average. The macro-region's car output and sales stopped to increase as demand weakened and supplies of components were hampered.

SOUTHERN MAIN BRANCH. The amount of housing commissioned grew more than the national average driven by elevated demand. Banks reported record numbers of subsidised mortgages. Cargo traffic in the seaports posted a more significant decline than the national average owing to bad weather. Ongoing infrastructural projects supported investment growth, which came to exceed the countrywide measure.

URAL MAIN BRANCH. Consumer activity trended downwards. Businesses' price expectations resumed growth driven by an increase in costs. Companies' current estimates of production and demand and short-term expectations were more positive than the national average. However, companies report extended timeframes for equipment repairs, delayed investment plans, and an invariably tight labour market.

SIBERIAN MAIN BRANCH. In industrial production, Siberia was behind Russia largely as a result of trends in manufacturing, namely a decline in the metallurgical sector's output. This decrease resulted from business interruption caused by the scheduled upgrade of basic production facilities. The construction sector grew at a more moderate pace as compared with Russia in general following the completion of several major facilities. Most of them commenced the installation of equipment and commissioning works, which came as a driver for the region's outrunning pace of investment growth.

FAR EASTERN MAIN BRANCH. The region's consumer activity declined in both food and non-food segments. The floor area of apartment buildings under construction was expanding more rapidly than the national average on the back of subsidised mortgages and government support for integrated development. Industrial production grew at a faster pace than the national average driven by an increase in the production of coal, oil, and gas.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MB's percentage in inflation	%	2023	100	34	11	12	14	13	11	5
Inflation	% YoY	Dec23	7.4	7.4	7.1	7.1	7.8	6.7	8.2	8.0
Core inflation	% YoY	Dec23	6.8	7.0	6.4	6.6	6.8	6.0	7.6	8.3
Industrial production	3MMA, % YoY	Nov23	5.1	17.6	5.2	8.8	4.1	2.1	-0.3	12.3
Fixed capital investment	Cumulative, % YoY	2023 Q3	10.0	5.7	7.7	17.8	16.3	4.1	12.0	27.9
Construction	3MMA, % YoY	Nov23	5.5	2.5	9.1	9.0	-5.2	11.0	0.8	25.2
Housing commissioning	3MMA, % YoY	Dec23	30.3	35.9	12.2	33.7	40.3	11.7	54.5	14.2
Retail	3MMA, % YoY	Nov23	11.8	14.3	15.2	12.1	8.9	11.4	10.4	8.7
Commercial services	3MMA, % YoY	Nov23	4.7	8.3	2.4	3.3	2.7	2.4	2.3	0.0
Real wages	3MMA, % YoY	Oct23	8.9	9.1	8.1	11.5	6.3	9.1	8.1	5.6
Real disposable income	% YoY	2023 Q3	4.9	6.9	5.1	7.9	5.9	7.7	5.6	3.6
Unemployment	% SA	Nov23	3.0	2.3	2.4	2.1	5.2	2.3	3.4	2.7
Outstanding consumer loans ²	% YoY	Dec23	16.3	16.0	13.5	17.8	19.8	16.4	15.5	12.5
Outstanding mortgage loans	% YoY	Dec23	30.1	25.0	23.0	32.1	43.4	32.6	33.0	32.8
Funds in escrow accounts	% YoY	Dec23	38.4	24.9	25.7	47.9	105.7	69.3	67.9	46.0
Non-financial organisations' outstanding bank loans	% YoY	Nov23	25.7	25.9	34.6	16.5	18.8	19.5	25.0	39.5
• Large borrowers	% YoY	Nov23	24.5	25.4	37.4	10.1	5.9	14.5	26.9	42.0
• SMEs	% YoY	Nov23	31.1	28.6	21.8	31.1	47.0	45.8	19.5	29.7
Companies' price expectations ³	Balance of responses, SA	Jan24	24.2	28.6	25.4	26.1	22.5	28.3	28.8	20.1
Business Climate Index	SA, pp	Jan24	6.8	9.9	4.3	8.3	7.4	14.6	10.3	8.2
• Current estimates	SA, pp	Jan24	-0.5	2.5	-0.6	0.9	-1.4	6.3	0.7	2.4
• Expectations	SA, pp	Jan24	14.3	17.5	9.3	16.0	16.7	23.3	20.3	14.3

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

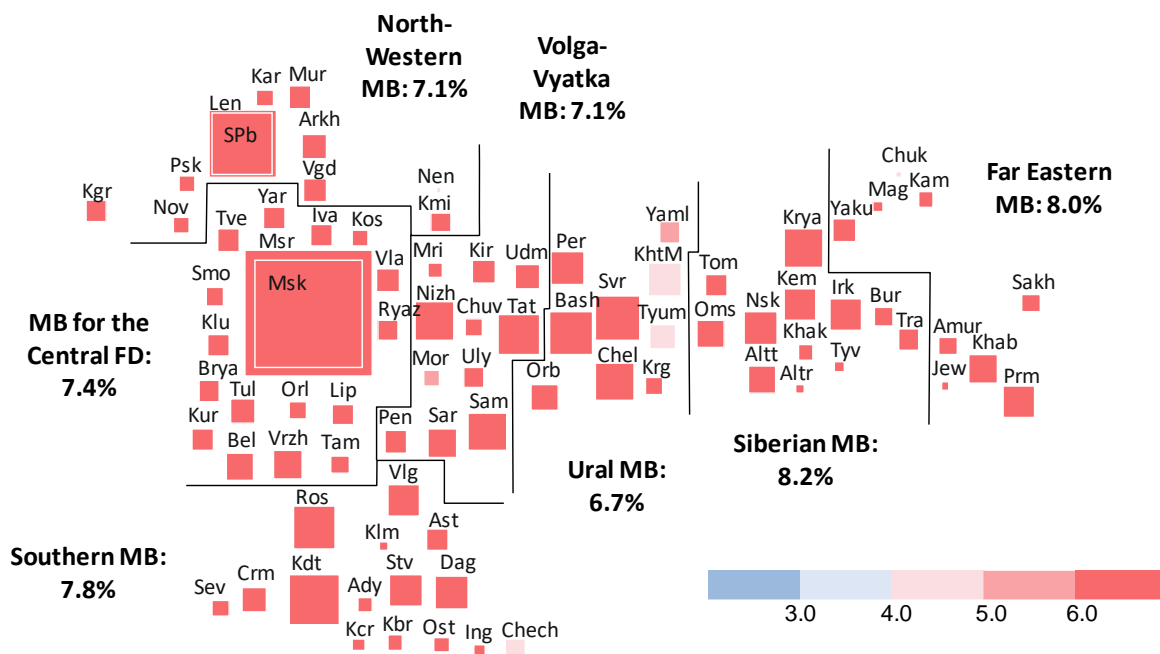
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis, since they enable the aggregation of indicators by 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 December 2023, % YoY

The sizes of the regions' signs correspond to their percentages in the Russian CPI



The Moscow and Leningrad Regions are shown as boxes for Moscow and St Petersburg.

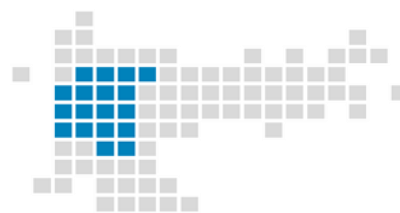
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

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 Adygeya	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	Crm	Republic of Crimea	Svr	Sverdlovsk Region
Arkh	Arkhangelsk Region (excl. Autonomous 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. Autonomous 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	Khav	Khabarovsk Region
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	Yamal-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 remained high in December 2023–January 2024. Monthly growth in consumer prices slowed down. As growth in costs slowed down, companies' price expectations continued to decline. Businesses were increasingly showing a decline in demand for loans. Banks reported continued inflows of household funds. Output in the clothing and pharmaceutical sectors continued to post a dynamic expansion.

CONSUMPTION AND INCOMES. Consumer activity in Central Russia remained high between December 2023 and January 2024 driven by the recent indexation of salaries and social benefits. The growing number of winter programmes and festivals in Moscow was behind rising tourist flows and higher occupancy rates of cafés and restaurants. Sales of durables slowed in individual regions on the back of costlier consumer loans, among other reasons. A major retailer of the Voronezh Region reported slower growth in sales of household appliances and digital equipment. The macro-region's retailers expect demand for food and catering services to remain high in the next three months.

PRICES. In December 2023, annual and monthly price growth (seasonally adjusted) slowed down in the macro-region. This was mainly grounded in the dynamics of prices for foreign cars and their servicing, which in turn was caused by the strengthening of the ruble. Airfares were also down owing to an expanding geography of flights and rising numbers of domestic flights. According to Rosstat's weekly data, inflation in January 2024 continued to slow down mostly driven by a decrease in prices for flights, meat products, eggs, cereals, and sugar. As growth in costs slowed down, firms' price expectations in Central Russia saw a decline, most notably in construction and agriculture.

MONETARY CONDITIONS AND BANKING SECTOR. There were signs of cooling in corporate lending in late 2023. This is evidenced by a slowdown in annual growth of the loan portfolio of manufacturing companies and SMEs as of early December, as well as a decrease in lending in November. According to high-frequency data, business loan rates continued to grow in December–January. Most businesses reported a tightening of lending conditions in January. In December, month-on-month growth of the retail loan portfolio had slowed down for the fourth consecutive month: the consumer loan portfolio decreased and mortgage growth slowed down. Mortgage lending was up in December as compared with November driven by the population's expectations that the conditions of government mortgage programmes would tighten, among other reasons. The proportion of subsidised loans in the total number of mortgages issued continued to grow. The inflow of the population's funds into banks sped up driven by an increase in time deposit rates and the payments of January pensions and annual bonuses.

TEXTILES AND CLOTHING. Growth in clothing production sped up in 2023 Q4. The need to meet consumer demand following the exit of foreign brands has boosted the development of the sector. The production of knitwear and special clothing is growing in Moscow, as are innovative projects. Relying on a proprietary technology, an Ivanovo Region enterprise launched full-cycle production of

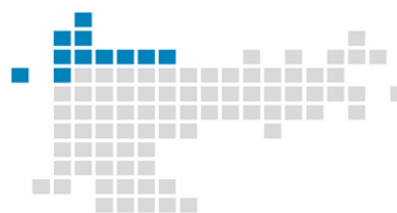
membrane fabrics. Current trends are increasingly influenced by recycling and the green agenda. Textile manufacture restored, mostly encouraged by government contracts. To execute government contracts, enterprises expanded the range of their products. They are increasing the output of mittens and industrial gloves as well as of textile and knitted fabric. The sector's development is held back by staff shortages, difficulties with obtaining replacement machines and repairing imported equipment.

MEDICAL SUPPLIES AND PHARMACEUTICALS. In 2023 Q4, pharmaceutical enterprises continued to increase output, including on the back of seven new facilities commissioned in the macro-region. Yaroslavl installed new automatic lines to manufacture surgical dressings. The Tula Region enterprises started producing foil to pack medicines and modern nonwovens. The Kaluga Region launched a complete production cycle to manufacture a medicine to treat type 2 diabetes. Smolensk launched a new high-tech enterprise to manufacture hormonal medicines. The Moscow Region opened the first production line to manufacture blood glucose test strips. The same production line will be used for manufacturing raw materials and enzyme biosynthesis. For the purposes of import substitution and drug safety, the macro-region's pharmaceutical enterprises substantially increased the number of clinical trials mostly involving biosimilars. Individual pharmaceutical enterprises still point out issues with the purchase and supply of equipment and components as well as with skills shortages.

PERSONAL SERVICES. The growth in the volume of personal services in October 2023 was followed by a decline in November, which was driven mostly by a decrease in the volume of services to rent, lease, or hire items (predominantly cars) as well as in vehicle maintenance and repairs. Technical maintenance and repairs of foreign-made cars which are no longer supplied to Russia were hampered due to limited availability of components. Growth in prices for cars and repair and maintenance services encouraged the development of car sharing, with its share of the services market having expanded notably since March 2023. A major Smolensk company is developing its car rental / hiring services in the regions of the federal district. As part of the 'People's Fuel' project, a federal car sharing service expanded its Tula Region fleet of gas-powered cars. Rising prices for construction materials made regional developers, interior design companies, and companies focused on turnkey repairs reduce the number of their integrated projects. To save money, people were increasingly requesting individual home repair services. The overall demand for such services across Moscow increased more than 1.5 times in 2023 relative to 2022.

BANK OF RUSSIA NORTH-WESTERN

MAIN BRANCH



After an insignificant decrease in December, consumer activity increased in the North-West in January 2024. Annual inflation sped up (mostly driven by an increase in food prices) and enterprises' price expectations edged up. Production in the forestry industry saw a continued rebound. Manufacturers of pipe products increased output to meet elevated domestic demand. Individual enterprises still experience difficulties with supplies and the maintenance of imported equipment.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region somewhat decreased in December 2023 as compared with November. Demand for non-foods cooled to some extent owing to the rising appeal of deposits on the back of higher rates. According to high-frequency data, consumption edged up in January on December. This was due to an increase in domestic tourism during the New Year holidays as compared with 2023, among other reasons. For example, increased demand was reported by service companies, in particular hotels and catering providers. Nonetheless, retailers and service companies grew more pessimistic about demand for the next three months.

PRICES. The macro-region's annual inflation sped up in December. Annual price growth (seasonally adjusted) slowed down while remaining elevated. Companies' price expectations went up in January. They increased in industrial production, transportation and storage, agriculture, and construction and decreased in trade and services.

MONETARY CONDITIONS AND BANKING SECTOR. Annual growth in the corporate loan portfolio continued to slow down as of early December amid increased rates. The consumer loan portfolio contracted in December on November owing to an increase in rates and the toughening of the Bank of Russia's macroprudential requirements. Demand for mortgages remained elevated owing to high demand for subsidised programmes. In particular, the launch of the Arctic Mortgage programme led to such loans making up almost half of the December's disbursements of subsidised mortgages in the Arkhangelsk Region. Credit institutions reported an increase in the population's demand for bank deposits as their attractiveness increased.

FORESTRY INDUSTRY. In late 2023, North-Western forestry enterprises ramped up output. That was facilitated by expanding demand (domestic and external), improvements in logistics chains, and the delivery of government support. In such conditions, enterprises continued implementing investment projects in various areas of the forestry industry. For example, in late 2023, in an effort to expand its product line, a Republic of Komi plywood mill launched the manufacture of i-section beams, which are in demand in construction. In early 2024, a key regional enterprise launched its own brand of office paper. Increased demand for packaging materials propelled a major Arkhangelsk enterprise to start the manufacture of laminated cardboard for dairy products. A Vologda cardboard and paper mill – a manufacturer of corrugated packaging for food and household products – completed its equipment upgrade programme. Wood board producers sped up the upgrade of their

production lines spurred by furniture manufacturers' increased interest in their products. In particular, a Novgorod Region plant that previously belonged to a foreign owner reached its full capacity.

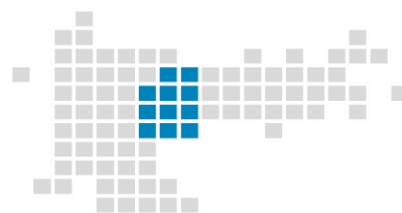
PIPE MANUFACTURING. High domestic demand from fuel and energy enterprises and construction companies supported the expansion of pipe output in the North-West. For example, a major metallurgical company launched the production of pipes with an innovative coating of increased durability at its production site in St Petersburg. In late 2023, the production of rolled metal for large-diameter pipes resumed in the Vologda Region driven by high demand for such pipes. The enterprises of the macro-region continue to set up manufacture of new products, including those that have no equivalents in Russia, as part of import substitution. A Pskov company reported the launch of the production of heat traced flexible polymer pipes, which can withstand adverse climatic conditions. A major machine-building plant started producing pipeline fittings, which are resistant to extreme temperatures. An increase in external demand also supports production. A producer of polymer pipeline systems from the Novgorod Region increased export of fittings to Middle East, South and East Asia countries building nuclear power plants.

TOURISM. During the New Year holidays, the North-Western regions reported a boom in tourism as compared with the previous year. For example, the Murmansk Region recorded 90% attendance of tourist facilities in early January. Taking into account the growth in tourist flows before and during holidays, additional trains to St Petersburg and flights to the Kaliningrad Region were launched. New tourist infrastructure facilities open in the North-West amid elevated demand. For example, the number of accommodation facilities in Karelia increased by 10% through the course of the year. The first ski resort in the Kaliningrad Region started operating in January.

FOOD INDUSTRY. Food enterprises in the North-West increased capacity utilisation to 70% in 2023 Q4, which approached the level of 2021 Q4. Rising demand was the key factor behind growth in the sector's output. For instance, a Novgorod manufacturer of canned meat reported an output increase as part of government contracts. The increase in confectionery output in individual regions (the Vologda and Leningrad Regions) was driven by an expanding geography of exports. The production of dairy products was expanding on the back of rising supply of raw milk fuelled by progress with ongoing projects in the livestock sector. However, individual food enterprises reported persistent difficulties with supplies and maintenance of imported equipment. For example, in December 2023, a major cheese manufacturer suspended operations for a fortnight owing to a breakdown of equipment, logistics difficulties, and delays in spare parts supply. The production has resumed by now.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



In December 2023–January 2024, growth in consumer activity and inflation decelerated in the macro-region. A decrease in consumer lending was increasingly limiting the expansion of retail sales, specifically in the non-food sector. Services were boosted by increasing tourist flows. Declining demand for cars and aggravating issues with component supplies limited the expansion of their production. Growth in food output sped up driven by prior increases in capacities as well as by temporary factors relating to the processing of the heavy yield of 2023.

CONSUMPTION AND INCOMES. Non-food sales decreased in November 2023 for the first time since December 2022. High-frequency data demonstrate that consumer activity also declined in December 2023–January 2024. The most noticeable decline was seen in sales of clothing and footwear as well as of home improvement goods in recent months. Higher car loan rates limited demand for cars. Car manufacturers responded by granting additional discounts or interest rate compensation programmes. According to the Bank of Russia's monitoring of businesses, retailers became less optimistic about expected demand. Public catering services grew insignificantly in November while remaining high in general. Growth in domestic tourism became a serious factor supporting demand during these New Year holidays again.

PRICES. Annual inflation decreased to some extent in December. Monthly price growth (seasonally adjusted) decreased and approached 4% in annualised terms. The slowdown in the price growth was mostly driven by individual inflation components, including those with volatile price dynamics. For example, in December, growth in meat prices slowed down, and prices for trips abroad decreased. The latter may be due to the Volga-Vyatka airports having increased the number of international flights in previous months. According to the January survey, the number of enterprises expecting a further increase in prices was down in the broader economy including the retail sector.

MONETARY CONDITIONS AND BANKING SECTOR. Outstanding corporate loans had noticeably grown by early December vs November across a wide range of industries. However, the average rate did not change in November, and banks and enterprises continued to assess lending conditions as tough. Retail lending, especially consumer lending, cooled more noticeably in December. Consumer loan debt decreased for the first time since spring 2022 and consumer loan rates almost reached the values of the same period. According to recent estimates, rates continued to go up in January. Mortgage debt grew more slowly in December. The share of subsidised mortgages in total loan disbursements hit a record since the start of subsidised programmes. Households' bank deposits grew at an accelerated pace in December on the back of rising deposit rates. Short-term deposits whose balance exceeded the maximum level of middle 2022 ensured the growth.

AUTOMOBILE INDUSTRY. According to the Bank of Russia's monitoring of businesses, in 2023 Q4, capacity utilisation rates of the macro-region's motor vehicle manufacturers somewhat decreased for the first time in the past 18 months. The companies surveyed in January reported a certain

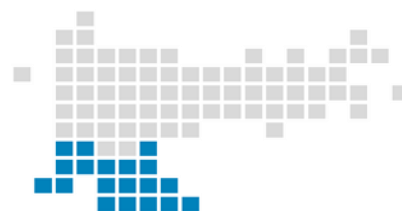
decrease in demand for their products and in output as compared with the high figures of the autumn. In December, Volga-Vyatka manufacturers of both cars and commercial vehicles reported a decrease (seasonally adjusted) in sales volumes. This was caused by a decrease in demand, among other reasons. In the car segment, the additional reason for the decline was that a major auto group experienced aggravating shortages of a number of components. In such conditions, the enterprise changed its operation schedule: in the middle of December, it resumed two-shift operations at one of its production lines and increased output. In January, the enterprise stopped using the other production line to assemble products on Saturdays and thus slightly decreased output. The government programme for subsidised leasing of wheeled vehicles resumed in January stimulating demand. The supply expanded owing to another enterprise of the macro-region entering this market, among other reasons. This is expected to boost sales of Volga-Vyatka truck makers.

FOOD INDUSTRY. Growing output of food sped up, which made a considerable contribution to the dynamics of the macro-region's manufacturing sector in 2023 Q4. The Bank of Russia's monitoring of businesses confirms the trend towards an increase in production. The January survey recorded noticeable growth in current output estimates. A number of regions and companies manufacturing various types of food products demonstrated an increase in business activity. Manufacturers of meat products, milk, and chocolate entered new markets. Several butter factories ramped up their production capacities to meet growing external and domestic demand. Subsidised lending programmes stimulated companies' investment activity. For example, several production facilities to manufacture granulated feed stuff were opened in Mordovia in 2023 H2. Those investment projects were funded by loans issued at subsidised rates, among other funds. Moreover, the increase in food output was grounded in temporary factors. For example, major sugar manufacturers reported a bumper sugar beet harvest. In January, it was processed by two plants in one of the regions – whereas one is usually sufficient in the period.

TOURISM. Tourist flows in the Volga-Vyatka regions increased by more than 10% during the New Year holidays as compared with the previous year. This came as a result of increased demand for event and cultural tourism – priority types of tourism in most regions. In Udmurtia, the number of people attending tourist facilities and public events during the New Year holidays exceed the corresponding number in 2022 by 17%; Chuvashia saw a rise in the number of people attending concerts and performances. However, growth in demand for trips across the Volga-Vyatka regions during the holidays slowed down as compared with the previous year. Businesses cite the shortage of accommodation and the immature infrastructure of the macro-region as the main limiting factors. Several investment projects are being developed to solve these issues. For instance, in recent months, Tatarstan and Samara planned to build a number of multifunctional tourist facilities, with Kazan planning to build a ropeway.

BANK OF RUSSIA SOUTHERN

MAIN BRANCH



In December 2023–January 2024, consumer activity in the macro-region decreased relative to the autumn months. Tourist flows exceeded the level of 2022. The dynamics of retail lending remained elevated. Annual growth of consumer prices slowed down and enterprises' price expectations, still elevated, changed little, if at all. Milk and dairy manufacturers expanded the range of products to cut costs, and output in the sector was supported by investment activity. The upgrades of the transport infrastructure continued. However, cargo traffic in seaports decreased as a result of adverse weather conditions.

CONSUMPTION AND INCOMES. According to high-frequency data, in December 2023–January 2024, consumer activity decreased to some extent vs the autumn months. The non-food segment demonstrated a decrease in demand, primarily for clothing, footwear, and home improvement goods. A Krasnodar clothing store chain reported a lower number of purchases and visitors in general. A retailer in the Republic of North Ossetia – Alania recorded a shift in consumer demand towards economy-class construction materials. A fifth of surveyed enterprises increased salaries in December–early January by 10%. Almost the same number of enterprises reported an increase in the number of vacancies. Small enterprises experienced the most considerable demand for staff owing to an increase in production capacities. Major enterprises experienced the same situation.

PRICES. Annual inflation slowed down between December 2023 and the first half of January 2024. The annual price growth rate (seasonally adjusted) also decreased. In particular, growth in prices for vegetables, meat, and eggs slowed down. This was due to the expansion of imports, the application of government support measures, and an increase in meat production in the South. At the same time, the persistently high demand alongside limited supply encouraged the acceleration of annual growth in prices for used foreign and new domestic cars. Enterprises' price expectations remained practically unchanged. In terms of industries, price expectations increased most significantly in agriculture and decreased in mining.

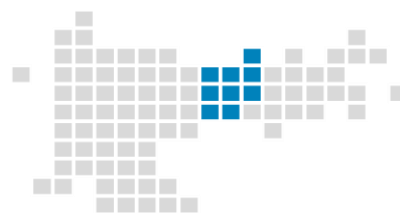
MONETARY CONDITIONS AND BANKING SECTOR. According to high-frequency data, the demand for loans from businesses decreased to some extent in December–January, while the pace of lending was still high. Enterprises raised loans mostly in order to replenish working capital. For example, a major grain exporter in the South was granted a credit line of ₹10 billion to finance its current activity. There was no substantial cooling in the retail lending market. Consumer lending remained elevated in December, and annual growth of the portfolio slowed down to some extent. Banks reported record loan disbursements under subsidised mortgage programmes. This came as a result of borrowers willing to obtain a mortgage on favourable conditions before a change in late 2023 in subsidised mortgage requirements. Rising deposit rates propelled the annual growth of households' bank deposits to accelerate in December. Besides, households continued to transfer funds from demand accounts and long-term deposits to short-term deposits.

TOURISM. During the New Year holidays, the macro-region welcomed more tourists than in the same period of 2022. The increase in tourist flows in the Krasnodar Territory made the most contribution as the occupancy rates of health resort and tourist facilities approached 100% on peak days. During the January holidays, the Sochi Park was attended by twice as many tourists as in the same period in 2023. The Karachayevo-Circassian Republic in the North Caucasus registered the greatest number of tourists. The number of people attending its ski resorts exceeded that of the last year by almost 15%. This was helped by a new multimodal route involving one and the same train and bus ticket.

TRANSPORTATION AND STORAGE. Cargo turnover at the southern ports decreased in December 2023 as compared with December 2022. This change was due to a temporary factor (severe weather). For example, a port in the Krasnodar Territory carried out cargo handling operations during 12 instead of 31 days, as was planned. The Rostov Region completed the reconstruction of parcel stations, as part of rail infrastructure development. A new freight route from Rostov-on-Don to East Asia was launched. It was already used for the first delivery of grain. The ongoing upgrade of logistics in the South is also typical of road infrastructure: construction of the second stage of the roundabout to bypass Volgograd to connect two federal and one regional roads is more than 50% completed in the Volgograd Region. The facility will make improvements in traffic in the North–South transport corridor.

MILK AND DAIRY PRODUCTS. According to enterprises' estimates, the macro-region's annualised output of milk and dairy products increased in 2023 Q4. This was facilitated by the implementation of investment projects, including government-backed ones. Capital investments helped a major milk factory in the Volgograd Region double its output. Individual enterprises sought to consolidate their assets in order to strengthen their positions in the market. In particular, a major raw milk manufacturer in the Krasnodar Territory plans to purchase a plant owned by a foreign dairy manufacturer. However, dairy manufacturers recorded an increase in production costs amid growth in salaries driven by staff shortages, increasing prices for individual production components (starters, ferments, and mineral supplements), and increasing costs on equipment maintenance. This resulted in the acceleration of consumer price growth in December 2023. Aiming to cut costs, enterprises revised their product ranges and offered new niche products. For example, a dairy factory in the Stavropol Region introduced and increased the output of a new plant-based equivalent of butter (i.e. spread).

BANK OF RUSSIA URAL MAIN BRANCH



Consumer activity decreased to some extent in December 2023, but remained almost unchanged in January 2024. Lending activity decreased, mostly in the consumer segment, and the inflow of deposit funds slowed down slightly. Businesses' price expectations resumed growth following the dynamics of costs. Companies report that the timeframes for current repairs of equipment have extended, investment plans have been partially postponed to 2025, and that the labour market remains tight.

CONSUMPTION AND INCOMES. According to high-frequency data, consumer activity in late 2023 decreased and remained at the same level in early 2024. Spending on transport, tourism, and public catering declined, and spending on food and medicines increased to some extent. According to dealers, a flexible discount system helped them increase sales of both new and used cars, despite rising loan rates. Amid the development of marketplaces, part of premises in shopping malls are redesigned into art spaces, entertainment and fair areas, fitness studios, and pickup points. As for services, companies are expecting an increase in the tourist flow inside and outside the region, with a dynamic expansion seen in countryside recreation infrastructure. The labour market remains tight. The registered demand for service jobs increased again (seasonally adjusted) in December. The most urgent demand was in retail and for sales employees. Some of surveyed enterprises reported that they had carried out indexation of salaries in January.

PRICES. Annual inflation in the Urals decreased in December 2023 mainly due to the high base effect (utility prices were indexed in December 2022, and prices were not revised during 2023). At the same time, the pass-through of costs to prices slowed down, and the monthly price growth rate (seasonally adjusted) decreased in December. Prices for meat, fruit and vegetables as well as cars increased at a slower pace. Prices for communication devices and tourism and transportation services decreased. Companies' price expectations went up in January, primarily in construction, services, and mining. Companies believe that this was mainly caused by an increase in costs.

MONETARY CONDITIONS AND BANKING SECTOR. Demand for loans continued to slow down in general in December. Banks reported both growth of loan rates and a tightening of non-price requirements for borrowers as the Bank of Russia toughened macroprudential regulation and conditions of subsidised mortgage programmes. In this setting, consumer lending was down and mortgage lending decelerated. In the corporate segment, demand for loans mainly persisted from the manufacturing, construction, and transportation sectors. Although the inflow of funds to time deposit accounts slowed down to some extent, the growth rates of households' bank deposits remained higher than in 2023 H1.

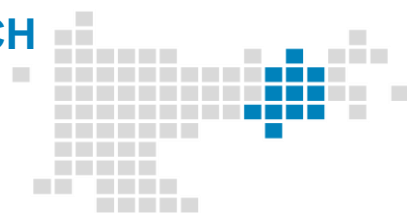
OIL AND GAS PRODUCTION. According to estimates, in December 2023, oil production in the Urals decreased to some extent, whereas gas production increased. According to the companies surveyed, in late 2023, the current projects and wells mainly continued to operate without suspension; the metreage drilled increased, and investments into exploring were down. Output prices decreased, demand expectations for the next three months remained positive. According to a major company, a new refinery will start supplying liquefied natural gas from its first production line

in the near future. Another major company plans to maintain oil production this year at the level of 2023. Enterprises in the sector believe that their contractors' staff shortages are a major problem. In particular, there is a shortage of welders, power engineers, and drivers in drilling, equipment maintenance, and repairs. Individual regions of the Urals postponed until next year their facility upgrades aimed at improving the quality of their fuel, as well as the plans to upgrade the infrastructure for shipment, transportation, and storage of oil products.

MACHINE BUILDING. Output dynamics in machine building in the Urals remain positive. However, in late 2023, growth slowed down owing to limited labour resources, among other reasons. At the same time, demand from the oil and gas and mining and quarrying industries continues to stimulate the implementation of technological re-equipment projects. The Perm Region plans to upgrade the production line to manufacture spare parts for industrial pumps; testing started for the sample of an industrial gas turbine engine. The Orenburg Region updated a production line to manufacture electric motors. The Tyumen Region started producing welding frames for pump units manufactured in the Chelyabinsk Region. The Kurgan Region is preparing for a serial launch of underground self-propelled machinery, which has not been produced in Russia before, and plans to increase the production of front side forklifts. The Republic of Bashkortostan organised the production of grain processing equipment. Demand growth resulting from the implementation of government programmes to purchase domestic machinery for transport enterprises ensures rising production of trolleybuses, trailers, and motor transport components. At the same time, enterprises still report that it is impossible to substitute some production equipment, that components are in short supply, and that there are issues with payments for export supplies (payments are returned and money is credited slowly).

FOOD INDUSTRY. Food industry is dominated by two trends. On the one hand, manufacturers (in particular, bakery and confectionery companies) report growth in the costs of raw materials, updating and repairing the expensive imported equipment that was purchased from unfriendly countries. This limits the opportunities to increase demand and results in investment projects being delayed or cancelled. On the other hand, the export of several food products to Middle East and Asia continues to grow. For instance, a major rape oil manufacturer and exporter in the Tyumen Region was able to restructure logistics and thus procure raw materials from other Russian regions; it is now transporting its products along new routes. In January 2024, the first container train carrying agricultural products for the Asia Pacific countries left from Chelyabinsk to Vladivostok. Oil extraction plants and sugar manufacturers in the Republic of Bashkortostan started to actively export plant-based granulated feed (sunflower and rape meal, beet pulp). The Kurgan Region launched canned meat and compound feed production and is upgrading its drink production lines.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In December 2023–January 2024, consumer activity in Siberia remained at the level of September–November 2023. In public catering, the number of guests at cafés and restaurants remained high and demand for ready meals increased. Businesses' price expectations increased. Manufacturers of agricultural equipment reported growth in demand for products driven by import substitution and government support measures. Coal producers decreased output due to difficulties with exports associated with both logistics and the market situation.

CONSUMPTION AND INCOMES. In December 2023–January 2024, Siberian retailers reported that growth in the population's consumer activity had stabilised at the elevated level of the autumn months. Food and electronic and household appliances stores recorded growth in sales; retailers selling home improvement goods, clothing, and footwear recorded a decline in sales. Hotels recorded a higher occupancy rate during the New Year holidays than in the previous year. People willing to visit Baikal and the Altai Mountains in winter booked accommodation already in autumn. Siberian tour operators reported that demand for foreign travel remained high and that the geography of flights recovered despite rising airfares. Growth in wages amid staff shortages remains a serious factor driving an increase in consumption.

PRICES. In December 2023, monthly price growth (seasonally adjusted) slowed down primarily owing to the dynamics of prices for services. Moreover, the growth rates of non-food prices (first of all, of prices for new foreign cars) declined. According to car dealers, buyers expect sales and new loyalty programmes since they believe that car prices are unreasonably overstated. Growth in food prices sped up insignificantly. For example, the hard frost in December increased the costs of Siberian greenhouse facilities entailing an increase in prices for tomatoes and cucumbers. Price expectations of Siberian businesses for the next three months increased.

MONETARY CONDITIONS AND BANKING SECTOR. In December, lending conditions for businesses still toughened, with demand for loans increasingly slowing. However, loans to replenish working capital and for overdrafts remained in demand. Demand increased for bank guarantees whose rates are lower than bank loan rates.

Growth in retail lending slowed down in December. Both consumer and mortgage lending demonstrated a decrease in growth rates. This was partially due to market mortgages losing appeal with demand for subsidised programmes remaining unchanged. Rising deposit rates in November–December increased the inflow of household funds into banks.

COAL MINING. In November–December 2023, coal output in Siberia (in annualised terms) contracted mostly due to a decline in exports. Supplies from Kuzbass have been in decline since April 2023. In December, this indicator reached 14% YoY, which determined a 16% YoY decline in the region's coal output. In addition, supplies of thermal coal decrease in the macro-region; however, exports of more expensive metallurgical coal are picking up. Siberian coal businesses believe that given the current price level many thermal coal export destinations are loss-making owing to soaring

transportation (rail, marine and cargo transfer) costs. On 1 January 2024, the Russian Government cancelled the exchange-rate-linked export duty on coal, which was introduced in September 2023. This will allow Siberian exporters to spend additional resources on their development. In addition, in late December 2023, agreements with regions were concluded on guaranteed coal exports to the East in 2024. Growth across the Siberian regions was almost 6% vs 2023.

PRODUCTION OF AGRICULTURAL MACHINERY AND EQUIPMENT. In January–September 2023, the output of agricultural equipment in the macro-region contracted (by 21% YoY). This resulted from a decrease in the agricultural enterprises' income and difficulties with substituting the import of spare parts. In 2023 Q4, the industry's output started to recover, both in terms of annual and quarterly dynamics (it grew by 11% YoY and by a third relative to the previous quarter) mainly owing to increasing domestic demand. However, the industry has by now overcome the shortage of spare parts seen between 2022 and early 2023.

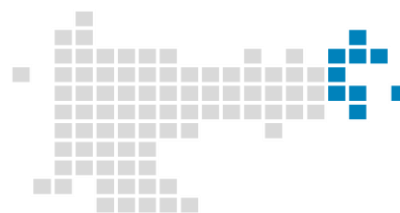
A major producer of tillage machinery is certain that sales of agricultural machinery and equipment will quickly recover, including owing to government subsidised purchases of agricultural equipment (the Russian Government provided additional financing in 2023 H2). At present, the company is increasing inventories in the expectation of growth in demand as early as spring. According to another industry representative, more agricultural enterprises are switching to domestic equipment increasing demand for the Russian equivalents of imported agricultural equipment. The company produces around 20 models of agricultural machines that are currently in high demand in the domestic market. Previously, components for such machines were purchased abroad. However, after sanctions had toughened, domestic production was launched and the supply issues were solved.

A major manufacturer of high-tech agricultural screening machines reported an increase in domestic demand for its products in 2023. The company believes that it ensured a competitive advantage of its products over Asian equivalents owing to its pricing policy, new technologies, and the updated range of products. Its export supplies are rebounding, and presence in Asia is being expanded.

PUBLIC CATERING. In 2023 H2, the volume of services provided by cafés and restaurants in Siberia increased by 7% YoY mostly driven by the development of the catering industry. A major food court in Novosibirsk was able to offer even more concepts than its Moscow peers. Growth in demand for ready meals remains a key long-term trend in the Siberian catering industry. In the previous year, sales of ready meals across Siberia grew by almost a third in money terms. Siberian regions are marked by the development of small-scale retail, which combines the features of small stores and cafés. Growth in demand for ready meals leads to high demand for delivery staff in this segment. In Siberia, couriers are included in the top ten most highly-paid low-skilled workers. Before the New Year, the Altai Territory recorded record growth in demand for packers and order pickers – it more than doubled in annualised terms. An increase in tourist flows in the Siberian regions supported the high attendance of local cafés and restaurants.

BANK OF RUSSIA FAR EASTERN

MAIN BRANCH



In December 2023–January 2024, consumer activity in the macro-region continued to decline. Consumer price growth slowed down but remained high. Businesses' price expectations in key industries decreased to some extent but were still elevated. High demand in the Asian market was behind the record pipeline gas exports. Coal supplies were down owing to a shortage of warehouse facilities in an Asian country. Wood enterprises increased capacity utilisation as demand grew and target markets expanded.

CONSUMPTION AND INCOMES. In December 2023–January 2024, consumer activity in the macro-region decreased both in food and non-food segments remaining close to the level of the same period of the previous year. A dairy manufacturer in the Primorye Territory reported a decline in demand in December, which is not typical of this period. The contraction of consumer lending resulted in a decrease in non-food sales. For example, representatives of dealers in the Primorye and Khabarovsk Territories and the Amur Region recorded a decrease in demand for cars as car loans were becoming more expensive, which resulted in significant growth in inventories. Tourism and catering enterprises in several regions, on the contrary, recorded stable demand and occupancy rates above the level of the previous year. In the Khabarovsk Territory, demand for tourist centres and glampings doubled during the New Year holidays vs the same period of the previous year. Demand expectations of retailers and service companies decreased in January.

PRICES. In December, monthly price growth (seasonally adjusted) in the Far East slowed down, though remaining elevated. This was mostly driven by a slowdown in the growth of overseas airfares owing to an expanding geography of flights and an increase in the number of flights to individual Asian countries. Food prices grew at rates exceeding the Russian average values given the rise in raw material prices and transportation costs. Fuel prices went up in December owing to an increase in delivery costs including railroad fares. According to weekly data, price growth continued to slow down in the first three weeks of January. Businesses' price expectations in January decreased across all key industries. Enterprises believe that was mostly due to a contraction in demand and a decrease in prices for similar products in the market.

MONETARY CONDITIONS AND BANKING SECTOR. In 2023 Q4, bank lending conditions remained tight. The tightening of mortgage conditions was explained by growing loan rates and toughening requirements for borrowers' financial condition as well as by changes in government subsidised loan conditions. As of early December, the annual growth rate of the corporate loan portfolio increased driven by large loans granted to fishing companies to purchase crab quotas. There was a slowdown in SME lending owing to an increase in market rates and limits under several subsidised programmes being exhausted, among other reasons. The portfolio of unsecured consumer loans decreased in December vs November. Mortgage lending increased driven by government subsidised programmes. A regional credit institution reported a manifold increase in demand for mortgage loans in January after major banks had introduced a fee for developers. In

December, the inflow of household funds into deposits accelerated driven by the transfer of funds from current accounts to time deposits owing to an increase in deposit rates, among other reasons.

LOGISTICS. In December, cargo traffic in Far Eastern seaports increased to some extent as compared with November but remained below the average level of January–October 2023. This is explained by a reduction in coal shipments associated with a shortage of warehouse facilities in an Asian country. Oil traffic reached record highs owing to expanding oil import quotas in a major importing country. To increase supplies, transport companies continued to expand production capacities. In this context, in December, a new tunnel was launched in the Amur Region one year ahead of schedule, which added 10% to the carrying capacity of the railroad to the Far East and Asian countries. Since December, the length of container trains has increased by a third to meet volume of freight requirements. The number of container cranes in a major port of Vladivostok increased by a quarter in January.

MINING AND EXPORTS OF FUEL AND ENERGY RESOURCES. In December, coal output in the macro-region reached record highs. For example, the Khabarovsk Territory reached its annual target as early as December. The price for coal transported from Far Eastern ports to Asian markets decreased by 10% in January on 2023 Q4 and by a third vs the same period of 2022. Enterprises are expecting a further decrease in prices on the back of contracting demand in key target markets and following the introduction, in an Asian country, of import duties on Russian coal in January. Gas output in the macro-region continued to increase in November–December driven by shipments from Yakutia's major gas fields. Pipeline gas supplies to an Asian country in December exceeded the contractual amounts on the back of increased demand as part of the green transition.

LOGGING AND WOOD PROCESSING. In 2023 Q4, wood enterprises of the macro-region reported growth in demand and expansion of target markets. Thus, logging companies of the Primorye Territory and Khabarovsk opened an export channel to a Middle East country. A major enterprise of the Khabarovsk Territory reported an increase in demand for low-grade wood from local furniture manufacturers. As a result of an increase in demand, individual representatives of the industry resumed production and were upgrading production facilities. A major enterprise in the Khabarovsk Territory resumed its branch's operations in October owing to an increase in demand for veneers from an Asian country. However, a logging company in the Primorye Territory pointed out that the production of sawn lumber remained loss-making owing to low sale prices because of excessive supply both in the domestic market and Asian markets.

FISHING AND FISH PROCESSING. By late January 2024, the capture of pollock and herring in the Far Eastern basin had exceeded the level of the same period of the previous year owing to more favourable weather conditions and an increased amount of quotas granted. Growth in the supply of pollock drove an insignificant decrease in its prices in January after their growth in 2023 Q4. However, prices in January still exceeded the prices in the same period of the previous year by a third. Herring prices continued to grow amid high external and domestic demand. Companies reported staff shortages, which affected their activity. For example, an enterprise in the Khabarovsk Territory suspended the production of canned fish in 2023 Q4 since it had no specialists to set up imported equipment.

BOX 1

REGIONAL BUDGETS: 2023 RESULTS AND 2024 PLANS

In 2023, the regions' own revenues saw a substantial increase mainly driven by profit tax. Its share in the total amount of the regions' revenues reached record highs. Tax revenues grew amid an increase in business and investment activity. Regional budgets' expenditures increased in December in annualised terms after a drop in the previous months. A change in the structure of the regions' public debt brought about savings on debt servicing, which were allocated for other expenditure items. 33 out of 85 Russian regions ran surplus budgets. In 2024, regions are also expected to run budget deficits, with revenues going down and expenditures up.

REVENUES

According to official reports of regional executive authorities⁴, the revenues of consolidated budgets of Russian constituent territories in 2023 increased by 10.1% as compared with 2022. The highest growth rates were reported in profit tax (+27.9%) and personal income tax (+13.3%).

In most regions, a significant increase in the share of current **profit tax** payments is associated with growth in business and investment activity of regional manufacturing enterprises and better financial indicators of major taxpayers.

The share of profit tax in the total amount of revenues increased nationwide (from 23.8% in 2022 to 27.7 in 2023) to a ten-year high. In 2023, the share of the profit tax in total revenues of the Russian regions' budgets hit a ten-year high. In individual regions of Central Russia and Volga-Vyatka, financial institutions reporting lower profits in 2022 mostly accounted for annualised growth in tax revenues in 2023. Taxpayers performing government contracts made substantial contributions to growth in regional budget revenues in the Republic of Udmurtia, Tula, Nizhny Novgorod, and Smolensk Regions. Kursk, Lipetsk, Leningrad and Murmansk Regions, and the Republic of Karelia recorded a surge in revenues resulting from a change in the procedure for redistributing the profit tax of the participants of consolidated groups of taxpayers between Russian constituent territories⁵. Oil producers in the Khanty-Mansi Autonomous Area accounted for almost half growth in profit tax paid by Urals enterprises. This was caused, among other reasons, by a recalculation of exporters' tax base for 2022 owing to a change in exchange rate differences. Tax revenues in the Omsk and Irkutsk Regions grew thanks to favourable trends in the oil product market. Mining and quarrying – the industry of Siberia's major taxpayers – is gradually adjusting to current economic and geopolitical conditions. In the Krasnoyarsk Territory, sales of inventories by enterprises extracting ores and sands of precious metals in the context of growing gold prices increased the region's tax revenues. The Kovyktinskoye gas field in the Irkutsk Region, which has the largest gas reserves in the east of

⁴ Hereinafter, analysis is based on official reports (Form 0503317) of regional executive authorities posted on the Electronic Budget portal as at 6 February 2024 without taking into account the execution of the budgets of Baikonur, the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

⁵ In accordance with Federal Law No. 443-FZ, dated 21 November 2022, 'On Amending Article 4 of Part One, Part Two of the Russian Tax Code and Certain Laws of the Russian Federation', Article 286 of the Russian Tax Code was amended to provide for a special procedure for companies that were formerly participants in consolidated taxpayer groups to make advance payments in 2023.

Russia, and the Chayandinskoye oil and gas condensate field in Yakutia (which were both launched in December 2022) form a resource base for the the Power of Siberia–1 gas pipeline. An increase in payments from the residents of Russky Island, a special administrative region, additionally facilitated growth in budget revenues in the Far East. In this context, the number of residents increased in 2023 more than 2.5 times, and their payments to the budget increased more than three times vs 2022. In the Primorye Territory, payments of the profit tax were up by 43.7% YoY in 2023 driven by an expanding tax base of stevedoring companies associated with growth in the seaports' cargo turnover and stronger sales of goods and services, as well as driven by the higher profits of agricultural businesses thanks to government support measures.

The main factor impacting payments of **personal income tax** is wage growth fuelled by staff shortages, among other reasons, and an increase in dividend income. In the Volga-Vyatka (+18.4%), Urals (+16.8%), and Far Eastern (+16.3%) macro-regions, the growth rates of personal income tax payments are above the Russian average. Manufacturing and mining enterprises report the most significant growth rates. In the Republic of Udmurtia, the Kirov, Tula, and Smolensk Regions, this is associated with rising wages. In Tatarstan, the measures of regional authorities to combat unofficial salaries and debtors also made an additional contribution to the growth.

Total income tax payments – which in large measure characterise economic activity of SMEs – added 5.1%. This mostly comes on the back of better tax collection in accordance with a simplified taxation system and growth in the number of SMEs, among other reasons (according to the Russian Federal Tax Service's Unified Register of SMEs, as at 10 January 2024, their number was 6.3 million vs 6.0 million as at 10 January 2023).

As the Russian regions' own revenues grew (+15.4%), total non-repayable transfers decreased (-8.9%). This is mainly due to the fact that a new extra-budgetary fund (the Social Fund of Russia) was established in early 2023, and social expenditures were partially transferred to it. Therefore, non-repayable transfers fell by that amount. However, the Southern macro-region received more transfers (+0.4%) than in 2022. The Republic of Crimea (+15.2% YoY), the Krasnodar Territory (+13.7% YoY), and Sevastopol (+15.3% YoY) made the most significant contribution to the growth. This is grounded in an increase in budget allocations for capital investments into the economy (transport, engineering, utility, and social infrastructure upgrades). Federal transfers in 2023 were overall allocated mainly for target programmes to develop housing construction, liquidate unauthorised landfills, establish smart sports grounds, build gas distribution networks as part of gas infrastructure development, renovate water treatment facilities, and for capital investments into public property.

EXPENDITURES

According to regional authorities, the expenditures of constituent territories' consolidated budgets increased by 11.3% in 2023 in annualised terms. High expenditure growth rates were recorded in housing and utility services (+29.7%), education (+11.8%), and the National Economy budget item (+12.2%). The Central Federal District accounts for the most significant growth in expenditures (+16.1%): Moscow and the Orel, Kursk, and Yaroslavl Regions significantly increased expenditures on transport infrastructure development. For Moscow, 2023 became a record year in terms of newly built transportation facilities: the Metro's Big Circle Line, two diameters of the surface metro, and the largest surface highways (Bagration Prospekt, parts of the Moscow High-Speed Diameter, and the Southern Lateral Road) were all completed. Growth in expenditures on education in the North-Western macro-region (+12.9%) is connected with the active construction and upgrading of educational facilities in St Petersburg and the Leningrad and Pskov Regions as well as with the

indexation of salaries and subsidies to implement supplementary education programmes in the Kaliningrad Region. In December 2023, St Petersburg completed the construction of the first phase of a major infrastructure facility: it opened a traffic interchange of the Western High-Speed Diameter in Shkipersky Protok Street. The South recorded high expenditure growth rates in the National Economy budget item (+16.9%) in agriculture, road industry, and transportation. In the Krasnodar Territory, the expansion of government support measures resulted in an increase in expenditures on the agricultural sector⁶. In the Rostov Region and the Krasnodar Territory, additional capitalisation was provided to regional industrial development funds. The implementation of infrastructural projects aimed at integrated development of urban ground electrical and public motor transport, as well as the purchase of electrobuses and charging infrastructure facilities resulted in an increase of expenditures on transport services to the population. The Kabardino-Balkarian Republic, the Republic of Crimea, the Stavropol Territory, and Sevastopol required a further expansion of financial support for enterprises owing to growth in passenger traffic of rail transport as well as the development of the bus route network.

Healthcare expenses fell (-4.1%) in 2023 across all Russian regions relative to the previous year. The drop is recorded in 57 regions mainly owing to a reduction in the costs of anti-COVID measures as well as the cancellation of regional incentive payments to medical staff that were still made in 2022.

DEFICIT

According to regional authorities, consolidated budgets were executed in 2023 with a deficit of -₽192.2 billion (Chart B-1-3) across all Russian regions following active growth in expenditures. The Central Federal District regions run the highest budget deficits (-₽168.1 billion), while the deficit was -₽30.7 billion in 2022. Moscow made the main contribution to the aggregate deficit of the Central Federal District in 2023 (the actual balance is -₽189.6 billion). Net of non-repayable transfers, the budget deficit at the regional level amounted to ₽4.1 trillion, which is less than the value of 2022 by ₽0.2 trillion.

Total public debt increased to ₽3.2 trillion for 2023. Borrowings of the Central Federal District and the Volga Region, in particular Moscow, Tatarstan, and the Nizhny Novgorod Region (+₽40.8 billion, +₽22.2 billion, and +₽22.3 billion, respectively) made the greatest contribution to the increase. The funding of regional budgets in the form of long-term budget loans from the federal budget soared to ₽2.5 trillion or 77.4% of aggregate debt (₽2 trillion or 71% of aggregate debt a year before). **The regions used budget funds mainly to repay their market borrowings.** The larger share of budget loans lowered the risks of an increase in the debt burden on the regional budgets from market-based loans. The funding of deficits in 2024 will follow the same pattern. Two North-Western regions (St Petersburg and the Kaliningrad Region) reported plans to issue bonds in 2024. St Petersburg's government domestic borrowing programme for 2024 provides for the placement of bonded loans worth up to ₽86.7 billion. Moreover, plans for 2024 include borrowings through placing regional bonds in Moscow (around ₽150 billion) and the Magadan Region (₽1 billion).

Plans for 2024. For 2024, regional authorities forecast a contraction of revenues (-6.0% vs 2023) and an increase in expenditures (+0.5%). Revenues of the regions' consolidated budgets are expected to contract as a result of a decline in non-repayable transfers from the federal budget (-21.9%). Amid the structural transformation of the economy, there are still risks limiting tax payments

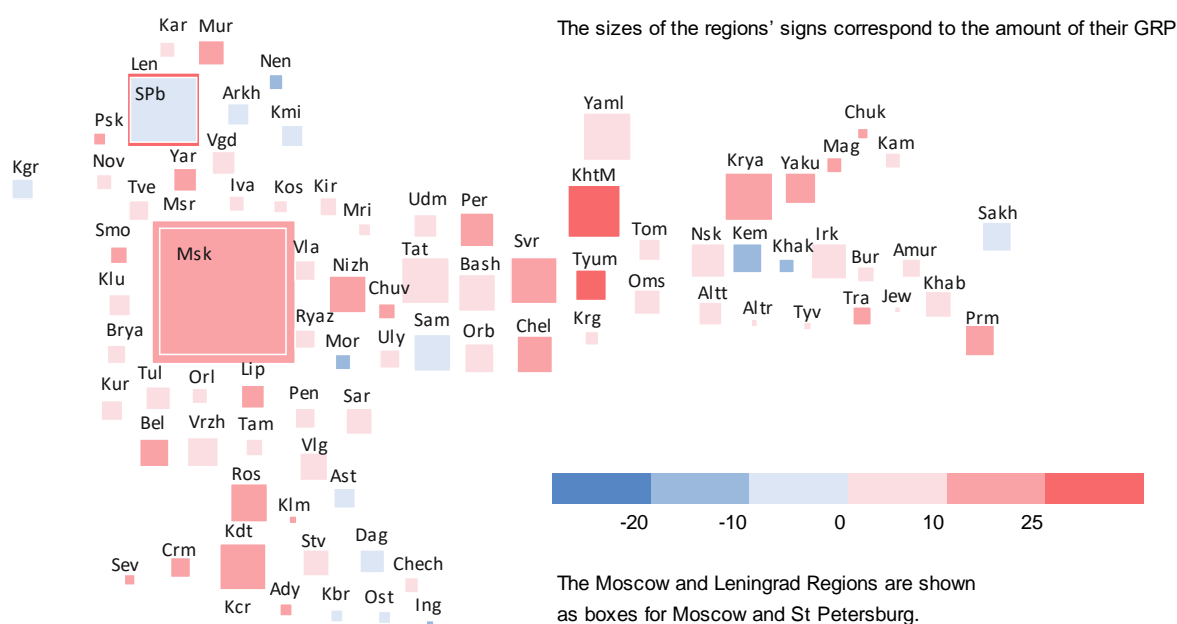
⁶ The expansion in government support to agricultural producers, involving reimbursement for their costs of grain production and sales, incentives for the production of oil crops, potatoes and vegetables, and for the development of poultry farming and dairy cattle breeding, including reimbursement for the direct costs of building and/or upgrading agricultural facilities.

from the sectors of the macro-regions. At the same time, in 2024, the regional authorities expect consolidated tax and non-tax revenues to edge down (-2.5%)⁷. The most significant expenditure growth rates in 2024 are planned for the North-Western (+6.6%) and the Central (+4.9%) macro-regions. Most regional budgets for 2024 factor in growth in social expenditures. For instance, the regions allocate additional funds to achieve target salary levels for individual categories of public sector employees.

The fiscal stimulus⁸ of the Russian regions in 2023 (Chart B-1-3) was 2.9% relative to GRP and expansionary in nature. In Central Russia and the North-Western macro-region, stimulus increased but contracted in the other macro-regions. In 2024, fiscal stimulus in the Russian regions increased to 3.0% relative to GRP in accordance with the plans of the regional authorities.

As business activity increased in 2023, the regions' own revenues grew. However, fiscal policy was expansionary in nature. A change in the structure of public debt in favour of budget loans reduced the demand for commercial borrowings from the budgets. In 2024, outrunning growth in expenditures is expected, and the deficit will continue to increase.

Chart B-1-1. Annual growth in revenues of consolidated budgets of Russian constituent territories in 2023, %*



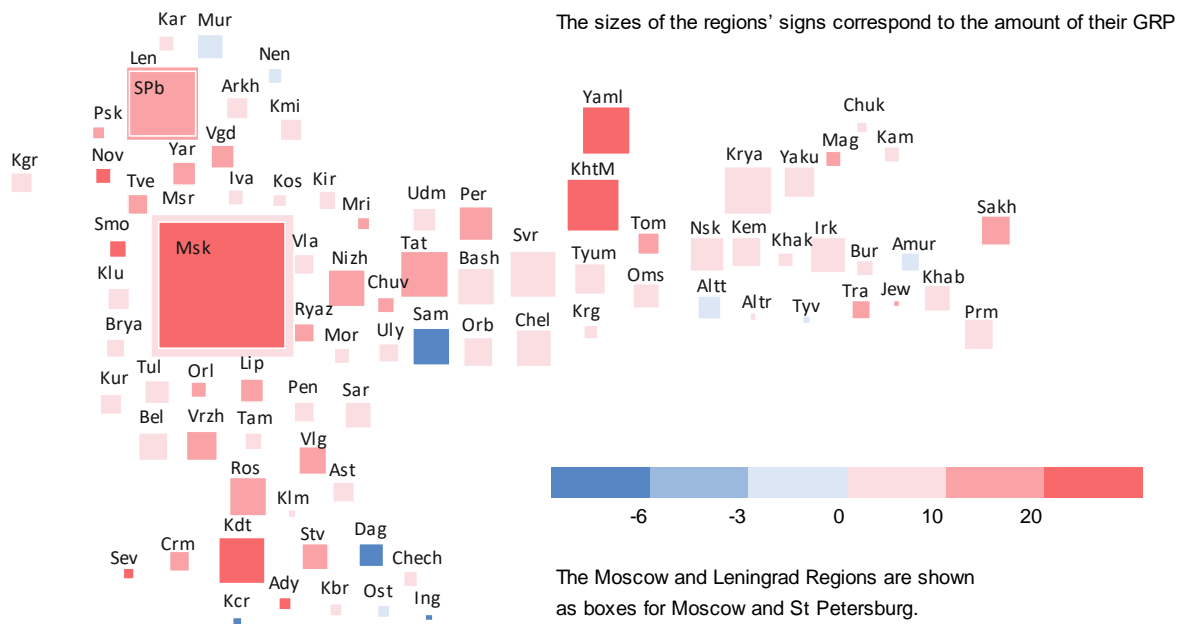
* Excluding new regions.

Sources: *Electronic Budget*, Bank of Russia calculations.

⁷ According to the Ministry of Finance's Guidelines for Fiscal, Tax, and Customs and Tariff Policy for 2024–2026, the revenues of the consolidated budget of the Russian constituent territories are expected to grow up to ₴22.4 trillion (+0.7% as compared with the Ministry of Finance's data for 2023). The constituent territories' own revenues are expected to grow up to ₴19.2 trillion (+5.3% as compared with the Ministry of Finance's data for 2023).

⁸ Negative autonomous balance in % relative to gross regional product (GRP) (tax and non-tax revenues net of expenses). A deficit expansion corresponds to a fiscal stimulus increase, while its contraction – to a decrease.

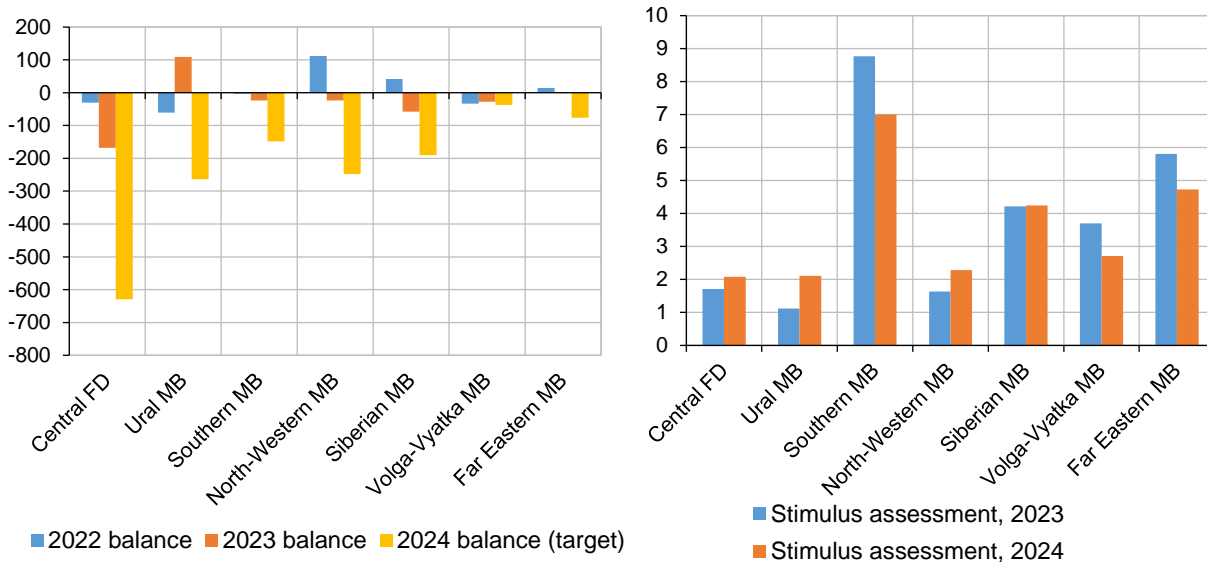
Chart B-1-2. Annual growth in expenditures of consolidated budgets of Russian constituent territories in 2023, %*



* Excluding new regions.

Sources: Electronic Budget, Bank of Russia calculations.

Chart B-1-3. Balance of consolidated budgets of Russian constituent territories (₽ bn) and fiscal stimulus relative to GRP (%)*



* Excluding new regions.

Sources: Electronic Budget, regional authorities' data, Bank of Russia calculations.

BOX 2

HOUSING MARKET AND MORTGAGES

In 2023, the number of new builds in Russia hit a record. There was an increase in blocks of flats under construction. Demand was driven by government subsidised mortgages, which caused an increase in housing prices. Mortgage lending also reached a new record high in 2023 exceeding the previous year's indicators by 62%. The Bank of Russia and the Russian Government are working to make the subsidised mortgage lending programmes more targeted. A number of experts expect the housing market to cool in 2024.

DEMAND

In 2023, demand for new housing was driven by government subsidised mortgage lending programmes. Their rates were significantly below the market level at the end of the year. The easing of borrower requirements in family and IT mortgage programmes alongside the launch of the Arctic Mortgage programme in the end of the year became additional incentives for the market. In 2023, the amount of mortgage loans granted in Russia reached an all-time high of ₹7.8 trillion. The record is also due to regional government subsidised mortgage loans. The Bank of Russia strengthened regulation, which minimised the market effects of mortgage lending programmes subsidised by developers.

Since 2023 Q2, demand for new housing had seen a stable increase. While the number of new equity construction contracts in 2023 Q1 decreased in annualised terms across all macro-regions, it increased 1.5 times as early as 2023 Q3 across all macro-regions as compared with the same quarter of the previous year. Sales in the Southern, Far Eastern, and Volga Federal Districts increased more than 2.5 times. Before the conditions of subsidised programmes changed, demand for new housing had been increasing. Tourism development supported demand in a number of regions of the North Caucasus, the Krasnodar Territory, and the Republic of Adygeya. Coastal and tourist real estate is popular in Crimea, and the majority of buyers are residents of other regions. Growing tourist flows increased investment demand in the Republic of Altai. As of early 2024, the number of current equity construction contracts grew by 20% across Russia over the year. More affordable and liquid studios as well as one-room flats account for more than half of sales. The progressive increase in interest rates resulted in a surge in demand in the existing housing market in 2023 H2. Buyers were seeking to take out loans at acceptable rates as soon as possible based on previously approved applications.

Demand growth and mortgage dynamics are related. Accordingly, in August 2023, loan disbursements in the new housing market started to grow steadily and exceeded the level of August 2022 by almost 92%; loan disbursements in the existing housing market exceeded these indicators by 89%. In September 2023, banks' mortgage loans reached a record high (₹955.2 billion) since records began. Subsidised mortgages accounted for 60% of all loans. In 2023 Q4, the share of government subsidised mortgage lending grew across all the macro-regions. In December 2023, banks issued mortgage loans worth ₹785.5 billion, and the government subsidised mortgage lending accounted for 83.8%,

Of the four top government support programmes, subsidised and family mortgage lending programmes accounted for over 70% of disbursements by late 2023. The same mortgage lending

programmes had the most significant effect on the mortgage market in 2023 H2 when market rates started to grow. The Central Federal District (mostly the Moscow region) became the leader in loan disbursements. Targeted programmes, such as Far Eastern and IT mortgage lending programmes, accounted for less than 7% of subsidised loan disbursements in 2023. In the Far Eastern Federal District, the Far Eastern mortgage lending programme accounted for a third of the mortgage market during 2023, having increased 1.5 times over a year. In November 2023, the subsidised Arctic Mortgage programme was launched for several regions of the North-Western, Siberian, and the Far Eastern Federal Districts. It accounted for less than 0.5% of total government subsidised loans in December 2023.

In general, the extensive subsidised programmes have failed to make housing more affordable. Housing affordability deteriorated in most regions in 2023 Q3 as compared with 2021 Q3.

In early 2023, many people managed to meet their need for housing thanks to acceptable market mortgage rates. The existing housing market started to cool in autumn 2023 when growth in the key rate was followed by rising mortgage prices and previously approved loan applications expired. At present, market mortgage rates are restrictive in nature. Some potential buyers of existing housing will switch to the new housing market, which is covered by subsidised mortgage lending programmes. However, most buyers are likely to postpone purchases. A decline in existing housing sales pushed up demand for rent, considering that mortgage payments exceeded rental payments in many towns.

In 2023, demand for individual housing construction continued to grow. Mortgages for the construction and purchasing of individual housing doubled their share of total mortgages to 16% on the back of subsidised loans and a more attractive – compared with blocks of flats – price of a square metre.

SUPPLY

In 2023, new housing commissioning in Russia went up by 7.5% to a new record since 2022. Blocks of flats made the most significant contribution; their share increased by 2.6 pp (to 46.9%) over a year. Faster growth in housing commissioning was recorded in the Far East, the North Caucasus, and Siberia. In the Far East, this was associated with Far Eastern Mortgage and integrated territory development projects, such as Far Eastern Quarter and Affordable Rental Housing. In the North Caucasus, this was due to relatively low prices for flats and maternity capital in the conditions of natural population growth, as well as due to the commissioning of long-delayed home construction in the South as a whole. Siberian regions use concrete panel construction technologies applicable all the year round. Central Russia recorded the lowest housing commissioning over the year accounted for by a decline in individual housing in the Moscow Region. This is explained by the high base of 2022 when projects launched during the pandemic were completed against a backdrop of subsidised mortgage lending, country house amnesty, and gas infrastructure development. Growth in new housing commissioning in the North-West was limited by delays in the commissioning of blocks of flats in Kaliningrad because of higher prices for construction materials (primarily metal structures) and labour costs.

The decrease in the number of government subsidised mortgage lending programmes expected in 2024 encouraged developers to accelerate the launch of new projects. The number of effective construction permits increased by 12.5% in January 2024, and the area of blocks of flats under construction by 7.4% against January of the previous year. The Urals, the Far East, the North Caucasus, and the Volga Federal District are leaders in the volumes of housing under construction.

Rising volumes of housing under construction were shored up by integrated territory development projects supported by federal and regional authorities, who engage major developers taking interest in regional markets with high demand and insufficient supply. For example, in the Urals, substantial support was provided by the Stimul federal programme. It involves subsidies for the construction of new social and infrastructure facilities in new micro-districts subject to integrated development.

The amount of housing under construction in the North-West was down mainly because of St Petersburg data on account of the shortage of suitable construction plots, among other reasons. The Novosibirsk and Orel Regions and the Krasnodar Territory report that the absence of infrastructure outside towns and excessive construction inside them are the limiting factors. With adequate supply of housing under construction in most regions, some developers started to limit sales. For example, two Krasnodar companies slowed down pre-sale preparations of new flats. Other two market players from Krasnoyarsk suspended sales having met the target for funds in escrow accounts.

PRICE MOVEMENTS AND FACTORS BEHIND THEM

Countrywide, prices for new and existing housing grew more slowly in 2023 than in 2022. Their annual growth rate approached the inflation level. Housing prices continued to advance because of elevated demand, increased construction costs on the back of rising prices for construction materials and higher wages in the context of labour shortages.

Government subsidised mortgage lending programmes are highly attractive given their low rates, but spur growth in housing prices. This is noticeable in the new housing market: in 2023 Q3, the average price of a square metre added 11% vs 2022 Q3 and 76% vs 2020 Q3 (when the subsidised mortgage lending programme started to apply). **This led some potential buyers to return to the existing housing market where a square metre price may be 40% lower.** For example, in the Urals, it is noticeably cheaper for a buyer to take out a mortgage for an existing than for a new home in the same location because of a considerable difference in the price.

In the Volga Federal District, Siberia, the Urals, and the North Caucasus, housing prices increased substantially.

In January 2024, major banks introduced fees for developers of up to 10% of the amount of a subsidised mortgage loan. New fees are most likely to pass through to prices. Even now, prices for one and the same flat differ depending on the lending bank. The Bank of Russia considers that the above developments involve risks for mortgage borrowers and will check on whether banks' assessments of mortgage values are accurate.

PROJECT FINANCE IN HOUSING CONSTRUCTION

Balances in escrow accounts in Russia grew by 62.7% in 2023, and the amount of current loan agreements with developers – by a third. Central Russia, where few new projects were launched, reported the lowest growth in escrow account balances. Central Russian regions account for more than 50% of escrow account balances countrywide. The North Caucasus and the South, with their considerable shares of new projects, reported the most significant growth. In individual regions, regional authorities supported developers. For example, the government of the Amur Region subsidises developers to cover part of interest rates on project loans. There is a risk that interest rates on project loans will increase further if sales and the pace at which funds accumulate in escrow

accounts decelerate. However, the overall share of loans with floating rates in project finance is low (30%), and there is a sufficient safety cushion for most projects.

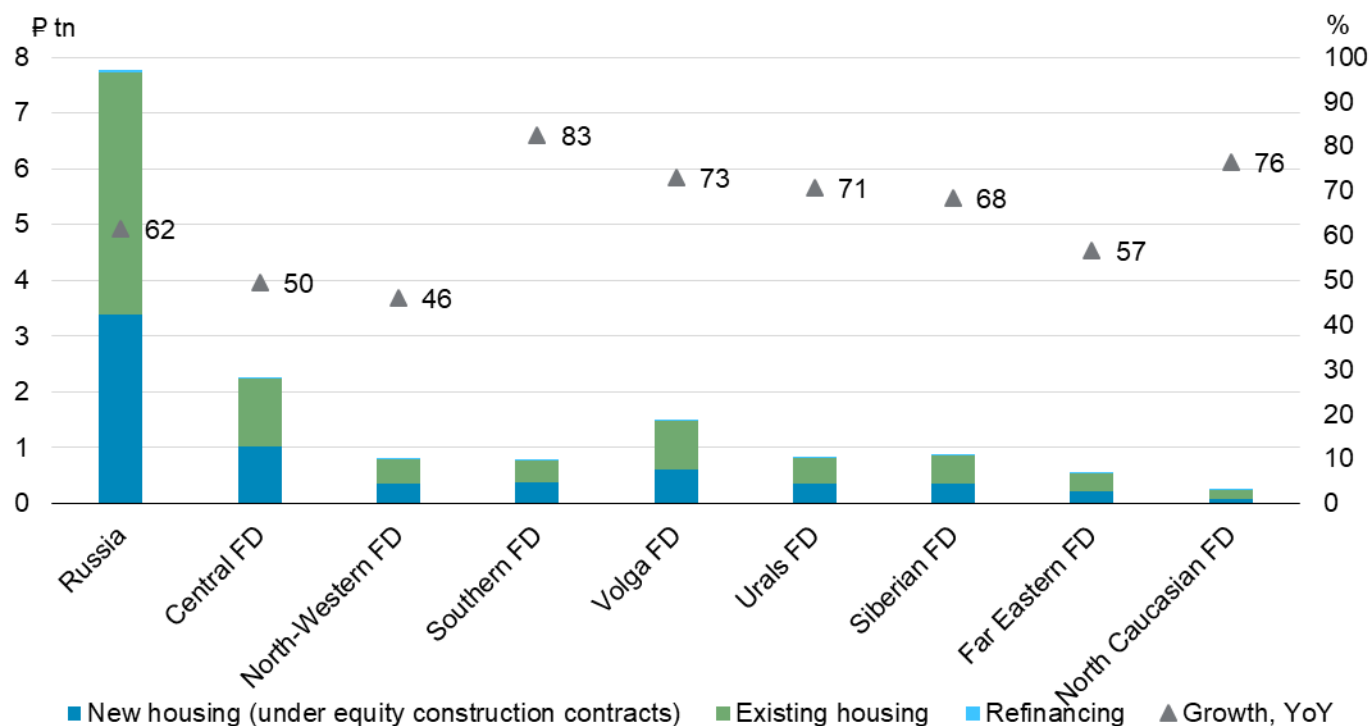
HOUSING CONSTRUCTION PROSPECTS

A number of developers see risks of lower demand in the new housing market in 2024. This is associated with the toughening of regulatory requirements: increasing the minimum down payment under government programmes, decreasing the credit limit in the metropolitan areas, cancelling the mass government subsidised mortgage lending programme from July 2024, limiting the debt service-to-income ratio and the number of subsidised loans per borrower. According to market players, the weakening of demand and sales may push up servicing costs of project finance and entail the need to use own funds to support current projects with a potential freeze on new projects. Extensive subsidised programmes are useful as a temporary anti-crisis measure. Government subsidised mortgage lending facilitated developers' switch to project finance, among other things. Active sales – thanks to government support – allowed developers to increase balances in escrow accounts, obtain financing at low rates, and lay the ground for new projects in the future.

More targeted and socially focused family mortgage lending will become a new market driver. It will allow developers to better adjust to changing market conditions. The Bank of Russia's measures to improve mortgage regulation will gradually bring the difference between the levels of prices in the new and existing housing markets back to normal. Fit-outs of shell and core flats and pre-sale cosmetic repairs of existing housing are expected to make properties more attractive.

In 2023, the amount of mortgage loan disbursements in Russia hit record highs. The number of current equity construction contracts and the area of blocks of flats under construction increased. A new record in new housing commissioning was set, which helped decelerate price growth. Developers completely switched to project finance. Housing price growth is expected to decelerate, lending standards to improve, and mortgage growth rates to become more balanced in 2024.

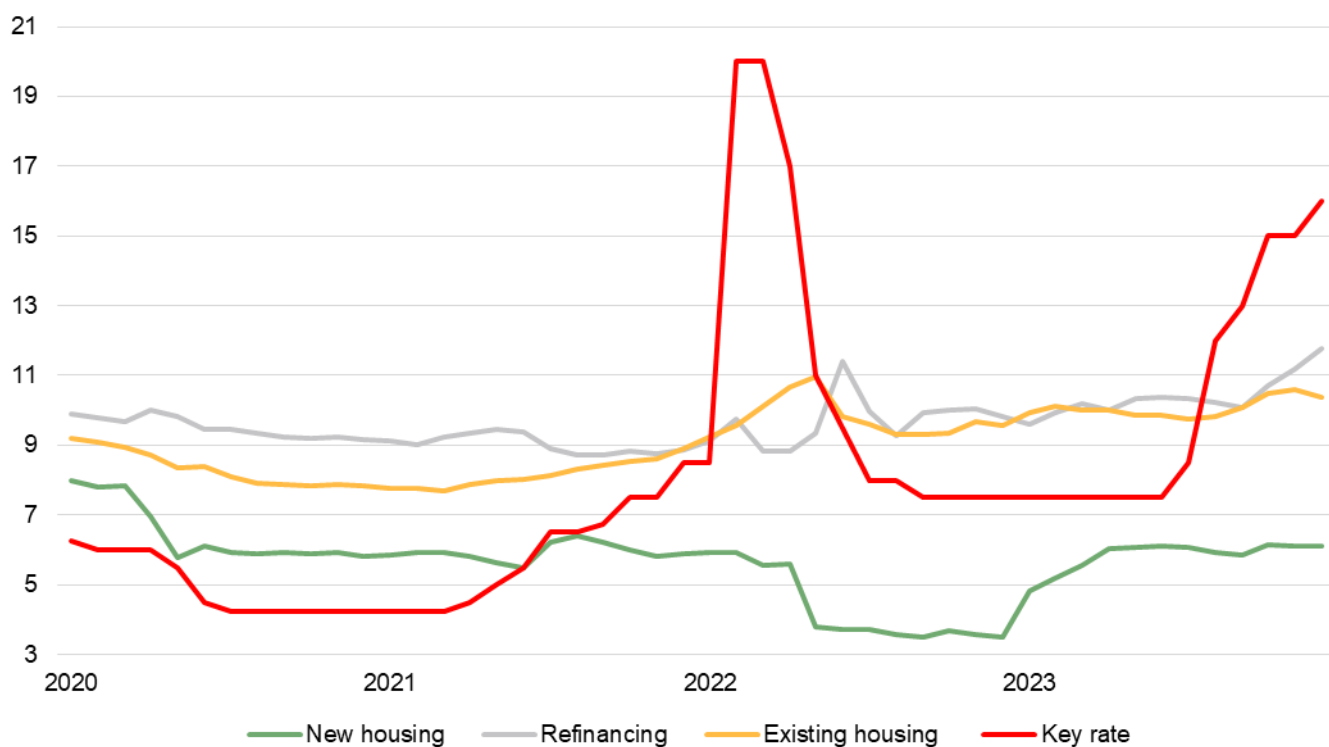
Chart B-2-1. Mortgage lending granted in 2023



Note: Chart presents data on Russia excluding new regions.

Source: Bank of Russia.

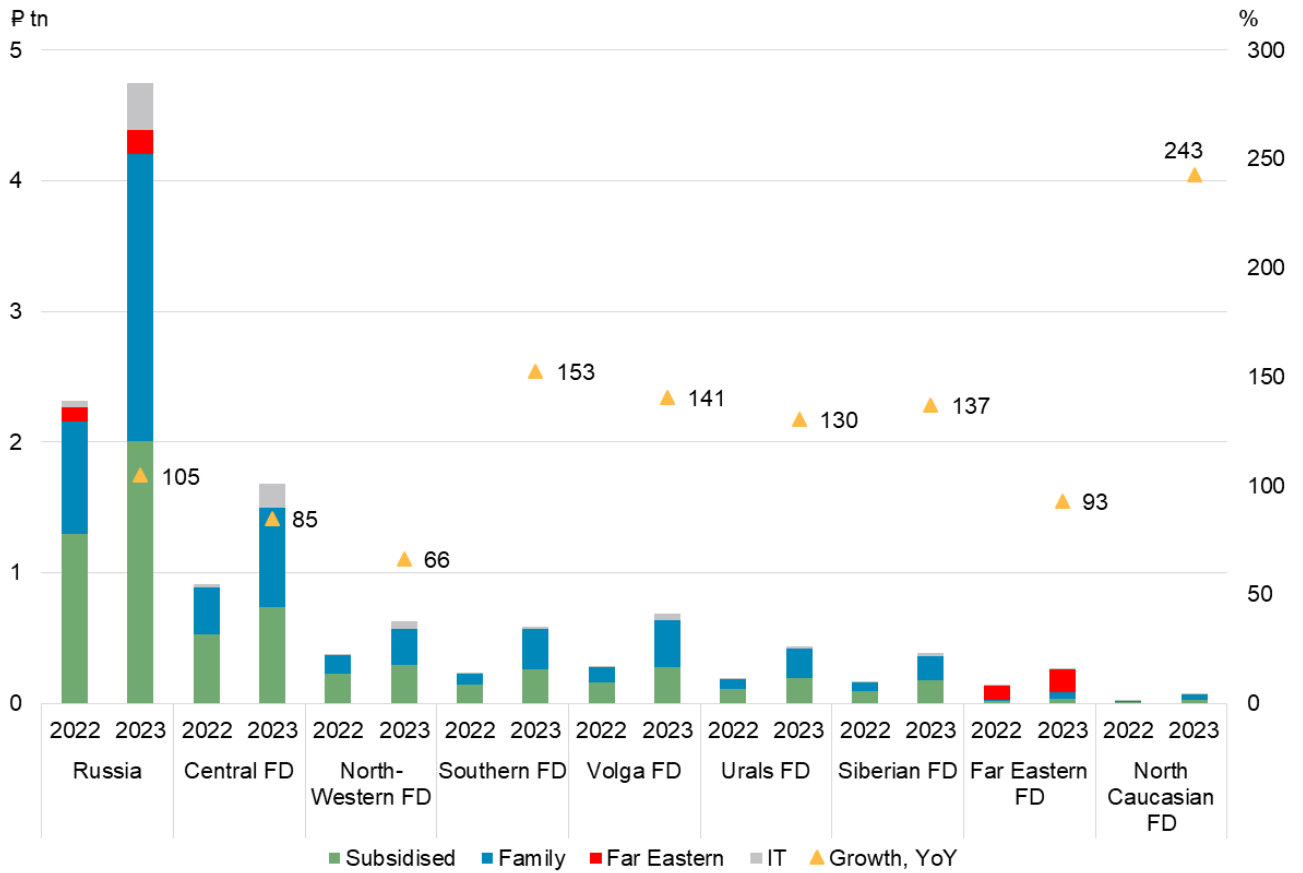
Chart B-2-2. Weighted average mortgage loan rates, %



Note: Chart presents data on Russia excluding new regions.

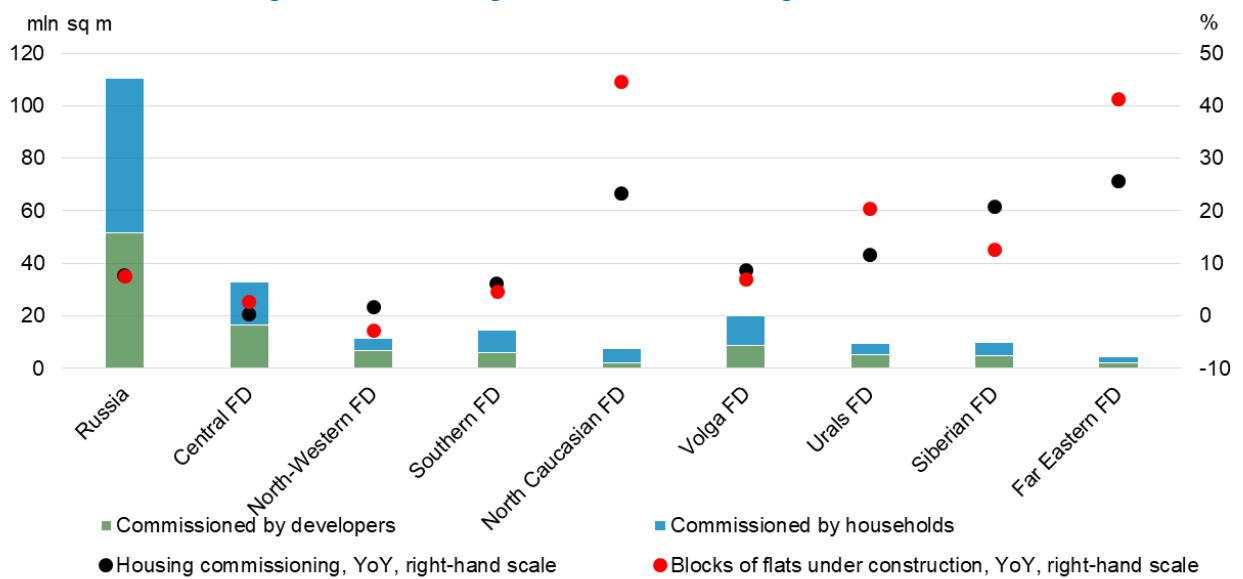
Source: Bank of Russia.

Chart B-2-3. Government subsidised mortgages issued in 2023



Note: Chart presents data on Russia excluding new regions.
Sources: Bank of Russia, JSC DOM.RF.

Chart B-2-4. Housing commissioning and area of housing under construction in 2023



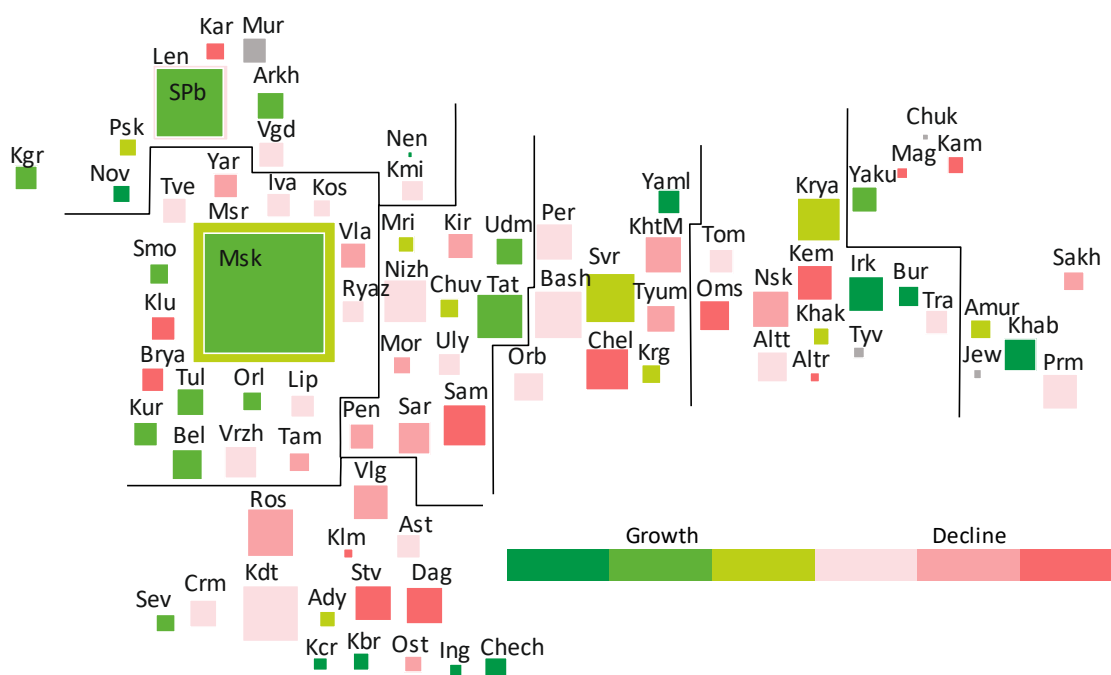
Note: Chart presents data on Russia excluding new regions.
Sources: Rosstat, JSC DOM.RF, Bank of Russia calculations.

Chart B-2-5. Average price of the total area of flats in housing market in 2023 Q4, ₹ ths per sq m



Note: Chart presents data on Russia excluding new regions.
Source: Rosstat.

Chart B-2-6. Housing affordability in Russian regions: 2023 Q3 vs 2021 Q3



Note: Chart presents data on Russia excluding new regions
Sources: Rosstat, Bank of Russia calculations (new housing area for which a mortgage loan can be obtained at an average rate and with an average mortgage period provided that a mortgage payment is 1/2 of an average salary).

BOX 3

INDUSTRY FOCUS. MEAT AND EGG MARKET: OUTPUT AND PRICE FACTORS

There was noticeable growth in prices for meat products (primarily chicken meat and pork) and eggs in Russia in 2023 H2. This was mostly driven by supply factors as eggs and chicken meat disappeared from the market as a result of bird flu outbreaks, chicken flock was taking long to recover, and the supply of hatching eggs failed to meet growing consumer demand. Growth in prices for chicken meat made some consumers switch to pork, which additionally sped up growth in pork prices. Russian Government support measures are gradually normalising the market. In January 2024, egg and chicken meat prices were still high, but already adjusting downwards.

EGG MARKET: SUPPLY AND DEMAND IMBALANCE RESULTED IN PRICE GROWTH

The Russian market for edible eggs is almost entirely focused on domestic consumption. Chicken eggs account for more than 90% of production. Export and import volumes are relatively small.

Russia's reliance on imports is strongest in the supply of hatching eggs, although there is no acute shortage of breeding material. A number of enterprises are fully supplied with hatching eggs. In 2022, sanctions against Russia aggravated the situation. Poultry farms purchasing hatching eggs from countries subject to restrictions had to search for new suppliers. Poultry population was growing on the back of government subsidies for the construction of breeding units. As a result, imports of hatching eggs continue to decline. According to industry experts, they decreased by more than a third in annualised terms. According to the forecasts of the National Union of Poultry Producers, domestic poultry manufacturers may completely switch to locally produced hatching eggs in 2024.

In 2023, epidemic risks partially materialised in the poultry sector: the sector was badly affected by bird flu. A bird flu outbreak forced a major poultry factory in the Republic of Bashkortostan to suspend its operations in August 2023 for five months. As a result, around one million birds were destroyed, and egg output in the region contracted approximately by a third in annualised terms. The factory is due to resume operations in February 2024 and receive day-old chicks that will come into lay only in five months. After bird flu outbreaks, major poultry farms in the Yaroslavl Region and the Republic of Komi in May and October 2023 suspended operations for containment measures. As a result, around 1.5 million birds were destroyed.

The market is pressured by elevated demand for hatching eggs from pharmaceutical companies. Eggs are used as raw materials for the production of vaccines against measles, parotitis, rubella, and flu. According to industry experts, 100–200 million eggs per year (~0.2–0.3% of total output) are required for these purposes. The supply of vaccines slumped following the exit of European and US pharmaceutical companies from Russia. This led domestic vaccine manufacturers to take urgent action to ramp up production capacities, pushing up the demand for eggs.

As a result, in 2023, egg supply grew slower than demand (Chart B-3-1). In order to stabilise supply, the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor) expanded the list of permits to import edible eggs from Turkey in late 2023. The Russian Government approved zero import duties on edible eggs for six months from 1 January 2024.

The supply and demand imbalance resulted in price growth. According to Rosstat, consumer prices for eggs added 61.4% YoY in 2023 (vs -6.5% YoY in December 2022), According to Bank of Russia calculations, in 2023, the contribution of growth in consumer prices for eggs into the deviation of annual inflation from 4% was ~0.3 pp.

However, the positive gap between the dynamics of egg prices (seasonally adjusted) and the rates of overall and food inflation substantially increased in 2023 (Chart B-3-3). This was due to growth in costs, among other reasons. The rouble weakening in 2023 Q3 pushed up prices for premixtures (feed additives to increase production). Imports account for 75–85% of components used in domestic production of feed additives. Moreover, feed costs account for around half the input costs of egg production. The overhaul of supply chain logistics is another substantial driver for growth in egg prices. The enterprises of the Altai Territory reported that the products purchased in the region since middle 2023 Q3 under long-term contracts were redistributed across other regions including Central Russia. Egg production was down in the Chuvash Republic owing to a bankrupt poultry farm. As a result, prices for eggs grew both in regional and federal chains.

According to a major egg manufacturer from the Rostov Region, soaring product prices are associated with acute staff shortages, among other reasons. The company reports a 30% shortage of staff.

In January 2024, egg prices were still high. However, the Russian Government's measures to expand egg imports and to support the producers are normalising the market. According to Rosstat, egg prices as at 29 January were ~57% above the same period last year. However, they are already adjusting down, having declined 1.9% since the beginning of this year.

MEAT MARKET: OUTPUT FLUCTUATIONS, DEMAND GROWTH, AND SUBSTITUTION IN CONSUMPTION

Growth in meat and meat product prices made a considerable contribution to inflation in 2023 H2. In December 2023, consumer prices for meat products gained 11.3% YoY (the contribution into the CPI deviation from 4% was ~0.6 pp).

Chicken meat and pork, which are the cheapest and the most popular types of meat in Russia, accounted for half of the increase. Their aggregate weight in meat consumption was around 80%. Chicken meat prices grew at a faster pace starting from April 2023. As a result, over the year, prices for chicken meat increased by more than a quarter⁹ in annualised terms. Pork prices are also rising at the high rate of around 14% YoY. The total contribution of chicken meat and pork price growth into the CPI deviation from 4% in 2023 was around 0.4 pp (Chart B-3-4).

Prices for overall meat products as well as for chicken meat and pork in particular are highly volatile (Chart B-3-5). This is mainly due to supply factors including primarily recurrent epizootic outbreaks in the first place. Livestock losses are substantially pushing up costs, contracting supply in the local market.

⁹ Hereinafter – the weighted average of prices for refrigerated chicken meat (net of chicken legs) and chicken legs.

In 2023, a certain decline in poultry output was mostly due to multiple bird flu outbreaks. On average, chicken meat output changed insignificantly over the past six years. Firstly, profitability in poultry farming is lower than in adjacent industries, which limits investment activity. In addition, poultry production requires new breeding sites and infrastructure for feed production and egg incubation. Secondly, the poultry production cycle is lengthy. The Russian Government takes relevant measures to support the industry. In particular, a plan to additionally increase output has been agreed with major producers. Since 1 December 2023 the targeted use of subsidised investment loans for broiler farming has been expanded. A quarter of expenses on building and upgrading facilities and purchasing equipment for genetic selection centres in poultry farming are to be repaid. A number of major investment projects are ongoing. They will deliver new and upgraded poultry farms (for example, in the Moscow and Tyumen Regions).

Pork production is marked by much more positive developments. Pork output has been steadily growing over the past decade. This is due to the expansion of production capacities driven by the implementation of investment projects. According to industry experts, output increased by ~5% YoY in 2023 and will continue to grow in 2024.

The pork and chicken meat production industries are both undergoing a gradual consolidation. The main reason is that large meat farms can more easily implement antivirus controls to combat epidemic outbreaks than households' farms and small farms. Importantly, there is a trend towards vertical business integration (e.g. retailers increasingly owning processing facilities and launching private labels) as the product range is expanded with high value-added products.

When supply substantially decreases in a market, consumption usually shifts towards a cheaper alternative (Chart B-3-2). Growth in prices for chicken meat in 2023 H2 contributed to an increase in consumer demand for pork. Therefore, price dynamics show a domino effect: supply factors in one market speed up an increase in demand in the other market. This results in price growth in both markets.

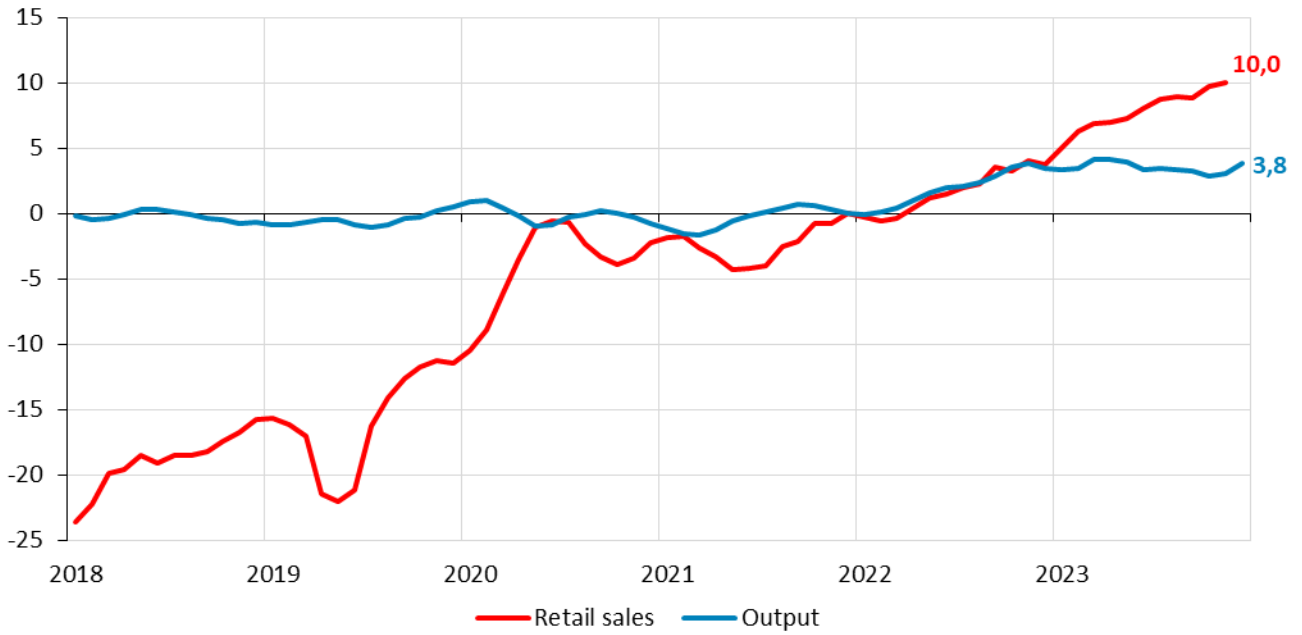
According to industry analysts, in 2023, chicken meat consumption remained close to the level of the previous year; pork consumption increased by ~7-8%. Faster growing demand for pork is grounded in moderate pork price dynamics in a saturated market. This encourages the demand of the population and processors to partially shift to pork. Substitution is primarily observed in the consumption of fairly expensive types of meat (for example, beef) and also in chicken meat – when there is a spike in chicken prices. However, the share of imports is minimal in the markets for pork and chicken meat.

The government has introduced a duty-free quota for chicken meat imports. In 2024, supplies of poultry meat will be partially released from the import duty. This measure is aimed at increasing supply in the domestic poultry meat market to stabilise prices in the future. **Consumer prices for basic types of meat have been in decline since December 2023. Export expansion is a promising area for the industry.** According to estimates, the share of exports in both segments is currently small (under 10%). However, companies are actively ramping up exports in pursuit of new export destinations such as Southeast Asia, Middle East and others. Growing output to increase exports will help maintain relatively low input costs and domestic prices.

Egg, poultry meat, and pork prices are highly volatile. Spikes of prices for these products are temporary in nature but may make a considerable contribution to inflation. This is mainly due to supply factors, primarily the worsening of the epizootic situation. In addition, when supply substantially decreases in a market, consumption usually shifts towards a cheaper alternative. Therefore, price dynamics show a domino effect: supply factors in one market speed up an increase

in demand in the other market. According to Bank of Russia estimates, in 2023, the aggregate contribution of growth in prices for eggs, chicken meat, and pork to the deviation of annual inflation from 4% was 0.7 pp.

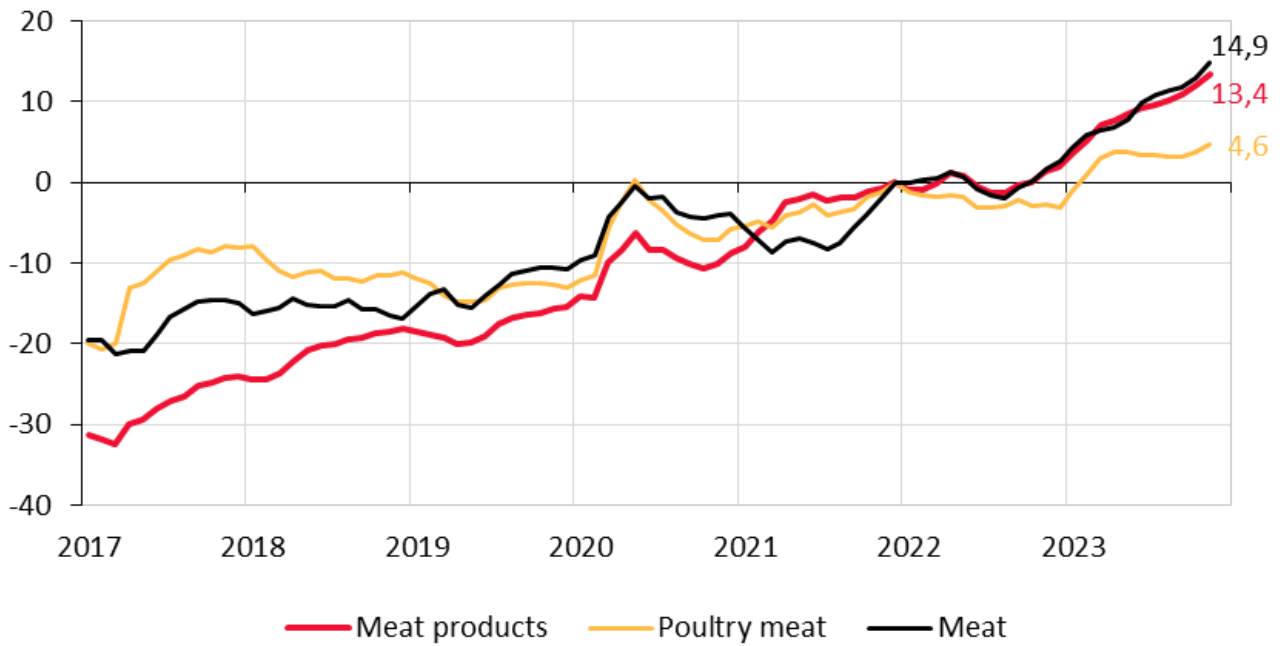
Chart B-3-1. Retail sales* and output** of eggs, % on 2021 Q4, 3MMA SA



* Major and medium-sized companies. **At farms of all categories.

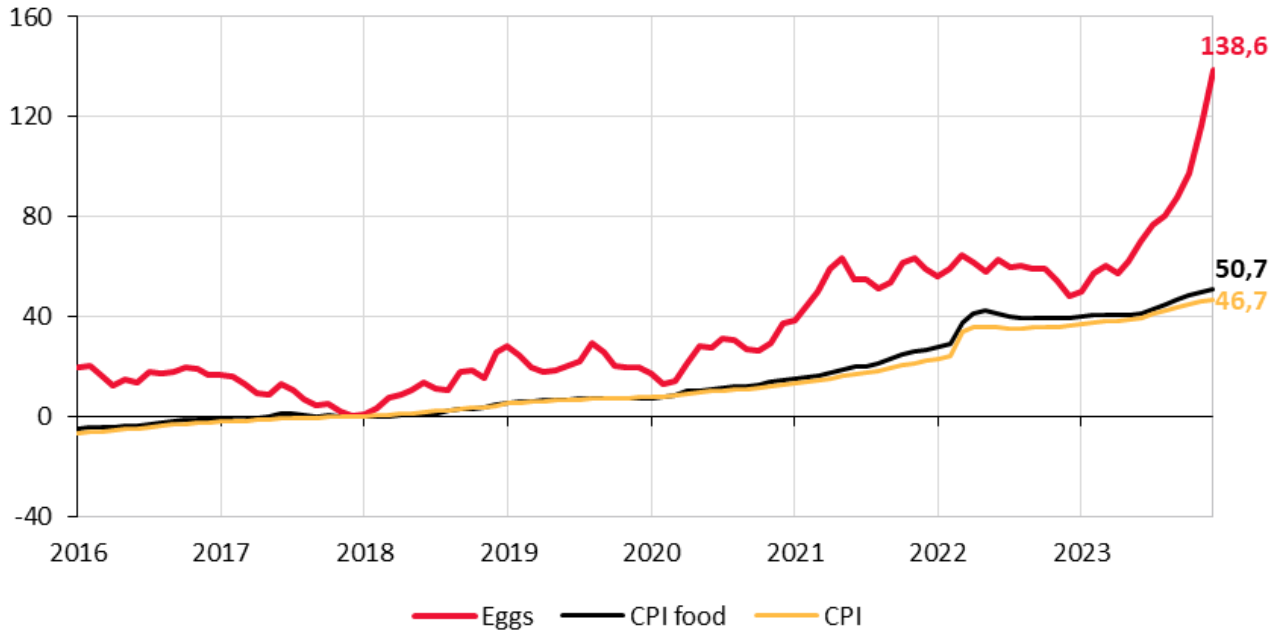
Sources: Rosstat, Bank of Russia calculations.

Chart B-3-2. Retail sales of poultry and meat, % on 2021 Q4, 3MMA SA



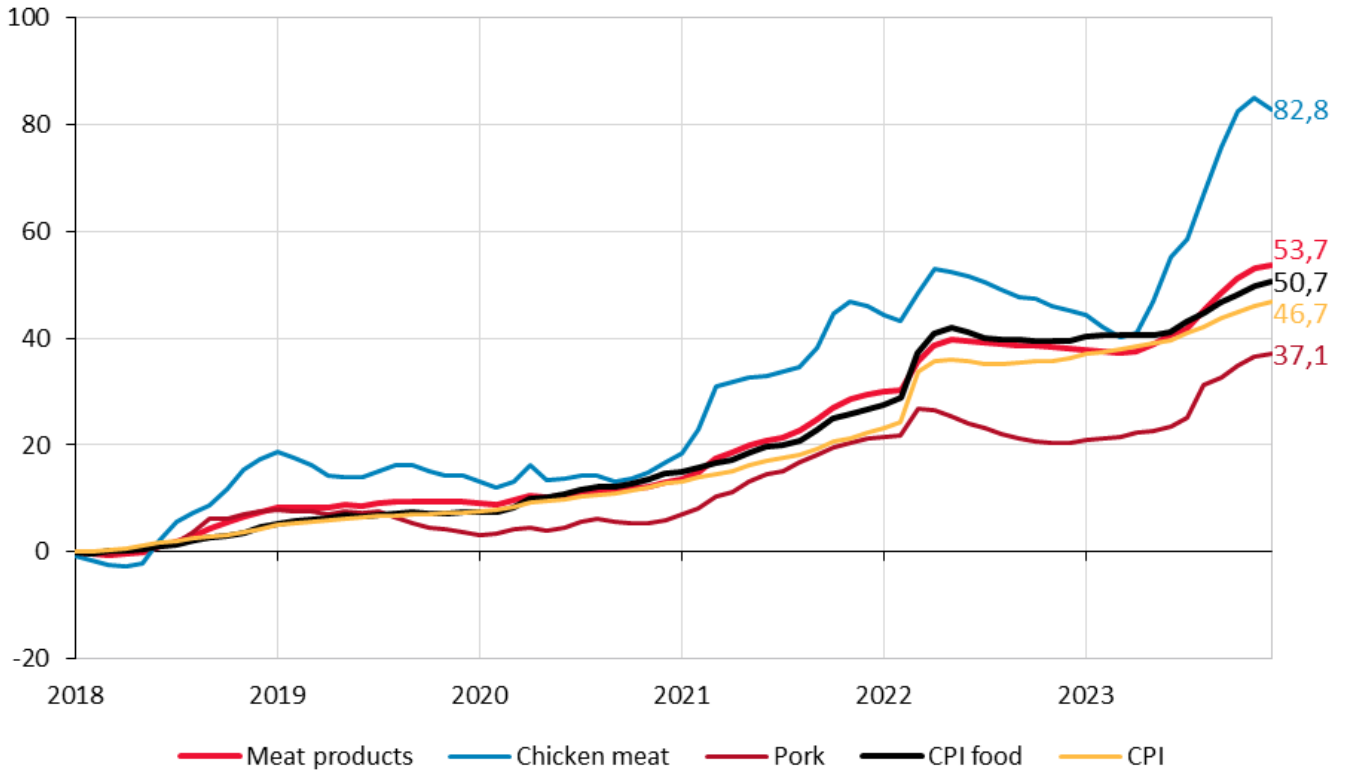
Sources: Rosstat, Bank of Russia calculations.

Chart B-3-3. Consumer prices, % on December 2017, SA



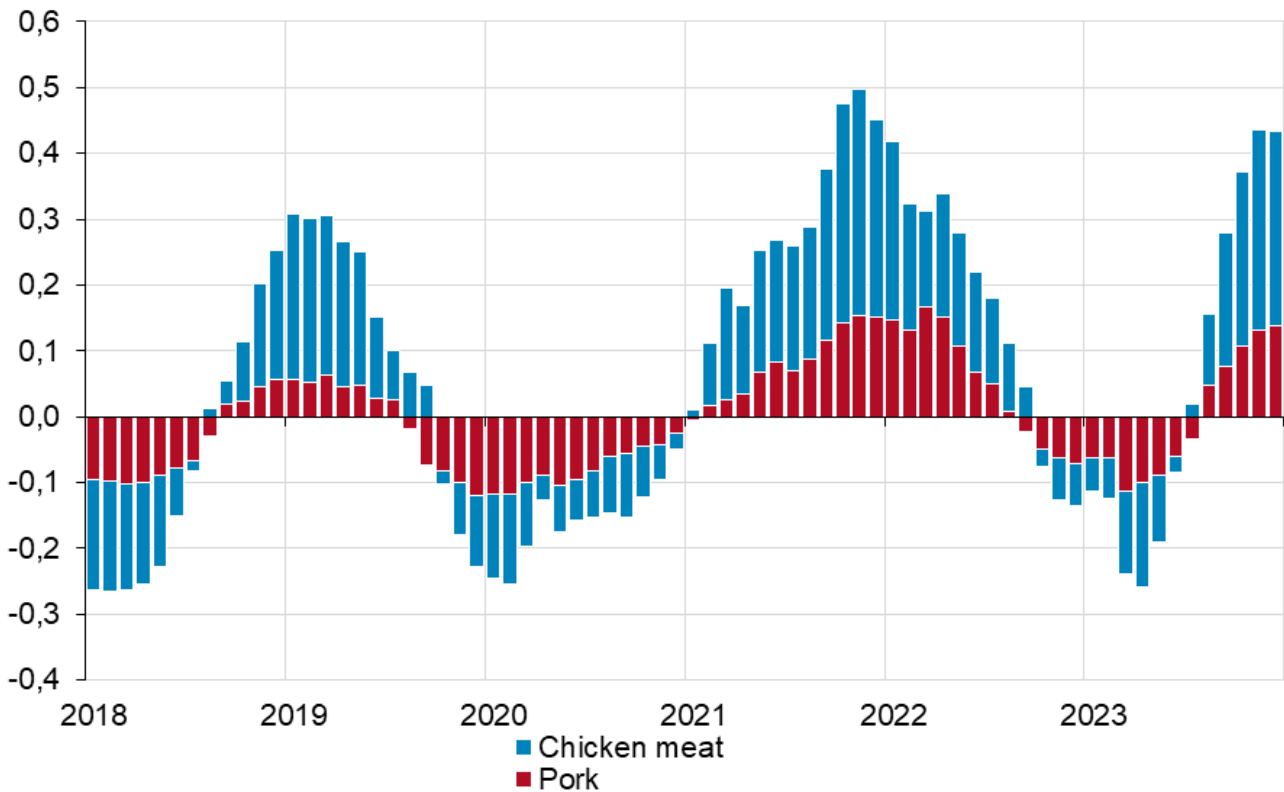
Sources: Rosstat, Bank of Russia calculations.

Chart B-3-4. Consumer prices, % on December 2017, SA



Sources: Rosstat, Bank of Russia calculations.

Chart B-3-5. Contribution of change in poultry meat and pork prices to deviation of annual CPI growth from 4%, pp



Sources: Rosstat, Bank of Russia calculations.

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No. 10 3 February 2022	Producer prices for food Structural changes in the labour market during the COVID-19 pandemic
No. 9 9 December 2021	Investment activity in 2021 Q3 Regional budgets in 2021
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	Preliminary results of the 2021 harvest campaign and their impact on food prices
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	Rebound in regional labour markets in 2021 H1
No. 5 3 June 2021	Business activity of small and medium-sized enterprises
	State of the tourism and related services market
No. 4 15 April 2021	Supply-side constraints and their factors in individual product groups
	Current situation in the motor fuel market
No. 3 11 March 2021	Influence of recent regulatory measures on food market
	Regional budgets in 2020 and expectations for 2021
No. 2 4 February 2021	Impact of the coronavirus pandemic on regional labour markets
	Housing market and its regional specifics in 2020
No. 1 18 December 2020	Consumer demand: the impact of the worsening epidemiological situation

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table A-1

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.9	7.4	11.9	3.5	3.3	6.0	7.4	7.5	7.4	
Core inflation	% YoY	14.3	6.8	14.3	3.7	2.4	4.6	6.8	6.4	6.8	
Industrial production	3MMA, % YoY	0.6		-1.4	-1.2	5.8	5.3		5.1		
Fixed capital investment	Cumulative, % YoY	4.6		4.6	0.7	7.6	10.0				
Construction	3MMA, % YoY	5.2		6.9	8.9	9.7	8.0		5.5		
Housing commissioning	3MMA, % YoY	11.0	7.5	-21.4	-1.2	-0.6	4.1	30.3	-2.3	30.3	
Retail	3MMA, % YoY	-6.5		-9.6	-7.0	9.4	11.3		11.8		
Commercial services	3MMA, % YoY	5.0		3.0	2.8	5.0	4.9		4.7		
Real wages	3MMA, % YoY	0.3		0.4	1.6	11.4	8.6				
Real disposable income	% YoY	-1.5		-0.6	3.2	5.4	4.9				
Unemployment	% SA	3.9		3.7	3.5	3.2	3.0		3.0		
Outstanding consumer loans	% YoY	2.5	16.3	2.5	4.9	12.4	16.9	16.3	18.2	16.3	
Outstanding mortgage loans	% YoY	17.7	30.1	17.7	16.0	23.5	29.1	30.1	31.0	30.1	
Funds in escrow accounts	% YoY	32.7	38.4	32.7	11.8	15.0	30.0	38.4	39.9	38.4	
Non-financial organisations' outstanding bank loans	% YoY	19.7		19.7	19.4	23.9	26.1		25.7		
• Large borrowers	% YoY	17.6		17.6	17.7	21.9	24.9		24.5		
• SMEs	% YoY	29.9		29.9	27.6	32.1	31.1		31.1		
Companies' price expectations	Balance of responses, SA	21.8	19.4	18.0	16.8	16.3	21.2	23.3	22.8	23.0	24.2
Business Climate Index	SA, pp	-0.2	6.8	0.6	5.4	8.8	5.9	7.0	6.8	7.8	6.8
• Current estimates	SA, pp	-6.1	1.1	-6.0	-1.3	4.3	1.1	0.3	-0.3	1.3	-0.5
• Expectations	SA, pp	6.0	12.6	7.4	12.3	13.5	10.8	13.9	14.1	14.6	14.3

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 A-2

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	12.5	7.4	12.5	4.2	3.6	6.1	7.4	7.6	7.4	
Core inflation	% YoY	14.9	7.0	14.9	4.3	2.9	4.8	7.0	6.6	7.0	
Industrial production	3MMA, % YoY	9.0		2.3	6.1	12.3	15.9		17.6		
Fixed capital investment	Cumulative, % YoY	-0.2		-0.2	-10.5	4.0	5.7				
Construction	3MMA, % YoY	12.0		12.0	5.9	11.2	6.0		2.5		
Housing commissioning	3MMA, % YoY	12.6	0.3	-21.8	-11.4	-9.7	-7.2	35.9	-7.2	35.9	
Retail	3MMA, % YoY	-10.5		-14.9	-11.6	9.7	13.1		14.3		
Commercial services	3MMA, % YoY	7.3		5.2	2.1	7.8	7.1		8.3		
Real wages	3MMA, % YoY	-0.9		-2.0	-2.3	10.2	8.0				
Real disposable income	% YoY	-2.2		-2.1	2.1	6.9	6.9				
Unemployment	% SA	3.0		2.9	2.8	2.5	2.4		2.3		
Outstanding consumer loans	% YoY	2.7	16.0	2.7	4.7	11.9	16.5	16.0	18.1	16.0	
Outstanding mortgage loans	% YoY	16.9	25.0	16.9	14.8	20.3	24.0	25.0	25.7	25.0	
Funds in escrow accounts	% YoY	39.6	24.9	39.6	16.1	15.7	25.5	24.9	31.2	24.9	
Non-financial organisations' outstanding bank loans	% YoY	15.6		15.6	18.3	23.1	24.5		25.9		
• Large borrowers	% YoY	13.2		13.2	16.2	20.8	23.9		25.4		
• SMEs	% YoY	30.1		30.1	30.1	34.7	27.2		28.6		
Companies' price expectations	Balance of responses, SA	28.2	25.7	22.3	19.9	22.2	29.2	31.5	32.3	29.4	28.6
Business Climate Index	SA, pp	0.2	6.6	2.6	6.0	5.4	5.5	9.7	10.0	10.6	9.9
• Current estimates	SA, pp	-6.3	0.5	-4.9	0.1	-0.2	-0.4	2.3	2.1	3.9	2.5
• Expectations	SA, pp	6.9	13.0	10.4	12.0	11.3	11.5	17.3	18.2	17.4	17.5

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

Core indicators. North-Western Main Branch

Table A-3

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.9	7.1	11.9	3.3	3.6	5.9	7.1	6.9	7.1	
Core inflation	% YoY	14.7	6.4	14.7	3.8	2.7	4.3	6.4	5.7	6.4	
Industrial production	3MMA, % YoY	0.8		1.5	-1.5	5.2	5.3		5.2		
Fixed capital investment	Cumulative, % YoY	-5.0		-5.0	4.5	3.2	7.7				
Construction	3MMA, % YoY	-10.5		-13.5	0.3	-0.3	10.1		9.1		
Housing commissioning	3MMA, % YoY	8.4	1.7	-8.6	-10.1	-6.1	15.7	12.2	2.2	12.2	
Retail	3MMA, % YoY	-6.3		-10.3	-8.6	10.8	13.6		15.2		
Commercial services	3MMA, % YoY	4.8		4.3	3.8	2.2	3.8		2.4		
Real wages	3MMA, % YoY	0.4		0.7	0.6	10.3	7.5				
Real disposable income	% YoY	-1.4		-0.1	1.1	5.5	5.1				
Unemployment	% SA	3.2		3.2	3.1	2.7	2.5		2.4		
Outstanding consumer loans	% YoY	1.7	13.5	1.7	3.8	10.9	14.9	13.5	15.8	13.5	
Outstanding mortgage loans	% YoY	15.3	23.0	15.3	12.7	18.0	21.8	23.0	23.6	23.0	
Funds in escrow accounts	% YoY	32.4	25.7	32.4	7.5	9.5	16.7	25.7	22.4	25.7	
Non-financial organisations' outstanding bank loans	% YoY	45.4		45.4	34.8	37.6	51.4		34.6		
• Large borrowers	% YoY	46.1		46.1	39.3	42.2	53.3		37.4		
• SMEs	% YoY	42.0		42.0	14.2	17.5	42.6		21.8		
Companies' price expectations	Balance of responses, SA	24.0	21.8	19.2	17.5	19.3	24.3	25.9	26.0	24.9	25.4
Business Climate Index	SA, pp	-4.5	2.9	-3.2	1.3	3.1	2.3	4.8	5.2	6.2	4.3
• Current estimates	SA, pp	-9.8	-2.7	-8.8	-5.1	-2.4	-2.2	-1.1	-1.2	0.8	-0.6
• Expectations	SA, pp	1.0	8.6	2.6	7.9	8.7	6.9	11.0	11.8	11.8	9.3

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

Core indicators. Volga-Vyatka Main Branch

Table A-4

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	12.4	7.1	12.4	3.7	3.2	5.9	7.1	7.3	7.1	
Core inflation	% YoY	14.7	6.6	14.7	3.5	2.2	4.4	6.6	6.2	6.6	
Industrial production	3MMA, % YoY	3.1		2.3	1.4	10.9	10.1		8.8		
Fixed capital investment	Cumulative, % YoY	3.3		3.3	4.0	11.9	17.8				
Construction	3MMA, % YoY	14.2		10.1	6.2	32.8	8.8		9.0		
Housing commissioning	3MMA, % YoY	3.8	9.9	-31.5	14.5	9.1	-10.4	33.7	-10.3	33.7	
Retail	3MMA, % YoY	-3.6		-3.7	-1.6	11.9	11.3		12.1		
Commercial services	3MMA, % YoY	3.6		1.3	3.9	3.8	4.5		3.3		
Real wages	3MMA, % YoY	0.8		0.9	4.8	14.0	11.9				
Real disposable income	% YoY	-0.6		1.9	4.9	9.6	7.9				
Unemployment	% SA	3.2		3.1	2.7	2.5	2.2		2.1		
Outstanding consumer loans	% YoY	1.2	17.8	1.2	4.2	12.1	17.3	17.8	19.3	17.8	
Outstanding mortgage loans	% YoY	15.4	32.1	15.4	13.8	22.6	30.6	32.1	33.3	32.1	
Funds in escrow accounts	% YoY	11.6	47.9	11.6	-7.3	1.3	26.5	47.9	42.7	47.9	
Non-financial organisations' outstanding bank loans	% YoY	11.0		11.0	8.4	14.2	15.1		16.5		
• Large borrowers	% YoY	8.0		8.0	4.9	9.5	8.8		10.1		
• SMEs	% YoY	18.8		18.8	17.4	24.8	29.8		31.1		
Companies' price expectations	Balance of responses, SA	28.6	26.2	22.4	20.9	23.4	30.6	30.0	30.0	28.5	26.1
Business Climate Index	SA, pp	0.9	9.2	2.3	8.3	11.0	7.7	9.9	10.5	11.2	8.3
• Current estimates	SA, pp	-6.6	2.3	-5.1	-0.2	5.2	1.9	2.5	3.1	3.2	0.9
• Expectations	SA, pp	8.8	16.3	9.9	17.1	17.1	13.6	17.6	18.2	19.5	16.0

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

Core indicators. Southern Main Branch

Table A-5

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.7	7.8	11.7	4.0	3.6	6.7	7.8	7.9	7.8	
Core inflation	% YoY	14.4	6.8	14.4	5.0	2.7	4.9	6.8	6.4	6.8	
Industrial production	3MMA, % YoY	5.5		11.3	-0.9	6.1	7.5		4.1		
Fixed capital investment	Cumulative, % YoY	5.1		5.1	23.3	21.3	16.3				
Construction	3MMA, % YoY	1.9		3.8	41.1	10.5	0.9		-5.2		
Housing commissioning	3MMA, % YoY	18.0	11.3	-20.2	-3.3	-11.1	23.1	40.3	7.5	40.3	
Retail	3MMA, % YoY	-2.4		-2.9	-0.2	11.6	9.6		8.9		
Commercial services	3MMA, % YoY	5.4		1.8	2.8	3.4	2.7		2.7		
Real wages	3MMA, % YoY	-0.9		0.8	4.8	10.5	6.9				
Real disposable income	% YoY	-0.3		4.0	7.1	7.4	5.9				
Unemployment	% SA	6.4		6.1	5.7	5.3	5.2		5.2		
Outstanding consumer loans	% YoY	3.1	19.8	3.1	5.8	13.7	18.9	19.8	20.7	19.8	
Outstanding mortgage loans	% YoY	24.9	43.4	24.9	25.1	35.4	43.2	43.4	45.5	43.4	
Funds in escrow accounts	% YoY	25.1	106	25.1	18.8	42.2	71.3	106	99.4	106	
Non-financial organisations' outstanding bank loans	% YoY	27.2		27.2	28.1	31.1	18.5		18.8		
• Large borrowers	% YoY	22.6		22.6	23.0	24.9	7.5		5.9		
• SMEs	% YoY	38.1		38.1	39.6	43.3	43.0		47.0		
Companies' price expectations	Balance of responses, SA	21.5	19.2	18.2	15.7	16.2	23.0	21.9	19.9	22.2	22.5
Business Climate Index	SA, pp	1.5	6.5	3.6	6.1	7.2	5.6	7.1	6.9	7.2	7.4
• Current estimates	SA, pp	-4.8	0.1	-3.5	-0.6	2.1	-0.7	-0.3	0.2	-1.3	-1.4
• Expectations	SA, pp	8.1	13.0	11.0	12.9	12.4	12.0	14.7	13.8	16.1	16.7

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

Core indicators. Ural Main Branch

Table A-6

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.0	6.7	11.0	2.2	2.2	5.0	6.7	6.8	6.7	
Core inflation	% YoY	12.4	6.0	12.4	1.5	1.0	3.2	6.0	5.4	6.0	
Industrial production	3MMA, % YoY	0.0		-1.2	-1.4	4.3	2.1		2.1		
Fixed capital investment	Cumulative, % YoY	8.7		8.7	-7.7	1.3	4.1				
Construction	3MMA, % YoY	-5.1		-5.0	4.7	7.0	6.0		11.0		
Housing commissioning	3MMA, % YoY	11.2	9.3	-13.2	3.6	13.4	9.6	11.7	-3.7	11.7	
Retail trade	3MMA, % YoY	-5.1		-5.6	-1.3	12.8	13.6		11.4		
Commercial services	3MMA, % YoY	2.7		-0.3	3.1	4.4	4.0		2.4		
Real wages	3MMA, % YoY	1.4		4.1	5.8	13.9	9.5				
Real disposable income	% YoY	-0.7		1.2	6.9	10.1	7.7				
Unemployment	% SA	3.3		3.0	2.8	2.5	2.4		2.3		
Outstanding consumer loans	% YoY	1.6	16.4	1.6	4.3	12.1	17.1	16.4	18.2	16.4	
Outstanding mortgage loans	% YoY	16.5	32.6	16.5	15.6	24.8	31.8	32.6	33.5	32.6	
Funds in escrow accounts	% YoY	21.9	69.3	21.9	3.4	11.1	37.8	69.3	59.2	69.3	
Non-financial organisations' outstanding bank loans	% YoY	17.4		17.4	13.1	18.4	18.8		19.5		
• Large borrowers	% YoY	16.0		16.0	8.9	14.4	14.3		14.5		
• SMEs	% YoY	25.9		25.9	38.3	39.0	42.2		45.8		
Companies' price expectations	Balance of responses, SA	24.2	19.4	18.4	15.9	16.4	21.7	23.5	23.4	22.1	28.3
Business Climate Index	SA, pp	1.9	9.9	4.8	8.9	10.0	10.0	10.8	11.1	13.0	14.6
• Current estimates	SA, pp	-4.3	4.8	-2.6	2.0	6.2	6.2	4.9	4.7	7.8	6.3
• Expectations	SA, pp	8.2	15.2	12.5	15.9	13.9	13.9	16.9	17.7	18.2	23.3

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

Core indicators. Siberian Main Branch

Table A-7

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	12.7	8.2	12.7	3.4	3.2	6.6	8.2	8.3	8.2	
Core inflation	% YoY	14.2	7.6	14.2	2.6	1.8	4.7	7.6	7.0	7.6	
Industrial production	3MMA, % YoY	1.7		-0.2	-2.0	1.5	-1.1		-0.3		
Fixed capital investment	Cumulative, % YoY	5.6		5.6	7.9	7.9	12.0				
Construction	3MMA, % YoY	10.5		10.2	7.3	-1.1	5.0		0.8		
Housing commissioning	3MMA, % YoY	3.5	22.4	-39.7	12.0	29.5	3.0	54.5	-1.4	54.5	
Retail	3MMA, % YoY	-2.7		-5.5	-3.4	10.7	11.9		10.4		
Commercial services	3MMA, % YoY	5.5		4.4	3.7	5.1	4.0		2.3		
Real wages	3MMA, % YoY	1.9		2.4	4.4	12.7	8.5				
Real disposable income	% YoY	-1.1		1.0	5.7	10.4	5.6				
Unemployment	% SA	4.8		4.3	3.9	3.8	3.6		3.4		
Outstanding consumer loans	% YoY	3.7	15.5	3.7	6.2	13.8	17.4	15.5	18.2	15.5	
Outstanding mortgage loans	% YoY	17.3	33.0	17.3	16.2	25.5	32.3	33.0	34.0	33.0	
Funds in escrow accounts	% YoY	25.0	67.9	25.0	13.6	17.6	52.9	67.9	65.7	67.9	
Non-financial organisations' outstanding bank loans	% YoY	17.0		17.0	10.9	13.5	24.7		25.0		
• Large borrowers	% YoY	11.8		11.8	5.3	5.2	25.8		26.9		
• SMEs	% YoY	33.8		33.8	29.5	35.1	21.6		19.5		
Companies' price expectations	Balance of responses, SA	25.0	23.6	18.7	18.7	19.2	27.2	29.3	29.6	27.7	28.8
Business Climate Index	SA, pp	2.4	10.4	3.7	9.1	13.2	8.8	10.4	10.7	11.2	10.3
• Current estimates	SA, pp	-5.7	3.0	-5.7	1.3	6.2	2.2	2.5	2.9	3.4	0.7
• Expectations	SA, pp	10.8	18.0	13.7	17.3	20.5	15.6	18.5	18.7	19.4	20.3

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

Core indicators. Far Eastern Main Branch

Table A-8

		2022	2023	2022	2023	2023	2023	2023	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.9	8.0	11.9	5.2	4.0	7.1	8.0	8.1	8.0	
Core inflation	% YoY	14.0	8.3	14.0	5.5	3.7	6.5	8.3	7.7	8.3	
Industrial production	3MMA, % YoY	-4.1		-3.7	-4.5	5.0	14.0		12.3		
Fixed capital investment	Cumulative, % YoY	11.5		11.5	25.4	23.6	27.9				
Construction	3MMA, % YoY	4.7		16.9	16.9	18.8	40.8		25.2		
Housing commissioning	3MMA, % YoY	13.7	21.4	-6.6	45.1	25.4	10.3	14.2	2.3	14.2	
Retail	3MMA, % YoY	-0.6		-2.8	-2.7	4.5	6.7		8.7		
Commercial services	3MMA, % YoY	-0.9		-0.3	-2.3	2.3	0.9		0.0		
Real wages	3MMA, % YoY	0.1		-1.6	1.5	6.2	6.0				
Real disposable income	% YoY	-1.0		0.2	2.1	5.1	3.6				
Unemployment	% SA	3.9		3.4	3.2	3.0	2.8		2.7		
Outstanding consumer loans	% YoY	3.7	12.5	3.7	6.4	12.7	15.5	12.5	15.5	12.5	
Outstanding mortgage loans	% YoY	23.3	32.8	23.3	20.2	27.0	31.4	32.8	33.1	32.8	
Funds in escrow accounts	% YoY	34.0	46.0	34.0	12.9	14.2	28.1	46.0	43.0	46.0	
Non-financial organisations' outstanding bank loans	% YoY	18.9		18.9	27.3	29.8	30.6		39.5		
• Large borrowers	% YoY	21.0		21.0	33.0	34.6	35.8		42.0		
• SMEs	% YoY	11.0		11.0	7.6	15.0	11.1		29.7		
Companies' price expectations	Balance of responses, SA	21.0	18.8	16.5	16.8	16.0	20.4	22.0	22.3	21.4	20.1
Business Climate Index	SA, pp	1.7	7.4	2.6	5.8	8.5	7.3	8.0	6.7	8.8	8.2
• Current estimates	SA, pp	-4.3	0.7	-4.6	-1.9	3.5	0.6	0.5	-1.1	1.5	2.4
• Expectations	SA, pp	8.0	14.4	10.0	13.9	13.7	14.2	15.9	14.8	16.3	14.3

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