



Bank of Russia

A photograph of a landscape with fog and trees, overlaid with the text 'No. 3'.

No. 3

MARCH 2019

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

Information and analytical commentary

MOSCOW
2019

Banking sector liquidity and financial markets: facts, assessments and comments (March 2019)

- In March, the structural liquidity surplus decreased amid funds outflow through the budget channel. The temporary surplus reduction at the end of the month was facilitated by the fact that banks increased their balances in correspondent accounts with the Bank of Russia month on month as a result of a more even averaging of required reserves.
- As banks increased their supply of funds at the Bank of Russia deposit auctions against the established limits, the spread between short-term interbank rates and the Bank of Russia key rate shrank by 8 bp to -14 bp.
- FX liquidity continued to post a favourable performance amid a massive inflow in the current account of the balance of payments coupled with moderate fiscal rule-based foreign currency purchases by the Bank of Russia.
- The decision made by the Bank of Russia Board of Directors on 22 March was in line with the market's expectations. The Bank of Russia's comment regarding the key rate cut in 2019 made market participants and analysts revise the expected key rate path downwards.
- In March, the Russian financial market was stable and most segments did not see any considerable price movements. This was associated with a neutral external environment and unchanged attitude to sanction risks.
- A number of Russian banks, including majors, raised their rates on ruble-denominated deposits in March. The inflow of funds to household deposits accelerated somewhat amid the ongoing recovery of depositors' interest in long-term ruble deposits.
- February saw a further rise in mortgage loan rates while rates in other segments of retail and corporate lending markets showed mixed dynamics. Both retail and corporate lending markets registered a slight increase in annual growth of loan portfolio.

BANKING SECTOR LIQUIDITY AND MONEY MARKET

Ruble liquidity. In March, the structural liquidity surplus dropped by 0.6 trillion rubles to 3.0 trillion rubles.¹ A sizeable funds outflow

¹ A structural liquidity surplus of the banking sector is the state of the banking sector characterised by the stable demand of credit institutions for funds placement with the Bank of Russia. The level of a structural liquidity surplus is a difference between banks' outstanding liabilities on Bank of Russia refinancing operations and their claims on its operations to absorb liquidity.

Banks' outstanding liabilities on Bank of Russia refinancing operations only include operations to regulate liquidity, which are part of the monetary policy toolkit, and special-purpose instruments. Some other Bank of Russia operations to provide liquidity on a repayable basis (bank bankruptcy prevention measures, irrevocable credit lines, etc.) are excluded from this indicator as they are considered to be external (autonomous) liquidity factors in the liquidity management system. They serve the purpose of financial stability rather than monetary policy and, therefore, are excluded from the operational procedure. Furthermore, as a rule, these are one-off operations to provide long-term liquidity and, therefore, they have no effect on short-term interbank rates.

Bank of Russia liabilities on operations to absorb liquidity include banks' deposits with the Bank of Russia and Bank of Russia bonds in circulation. That said, the calculation of

resulted from large tax payments by bank customers and OFZ placement by Russia's Ministry of Finance. These operations were in part offset as the Federal Treasury deposited funds in bank (on-demand) accounts and banks' deposit liabilities to the budgets of Russian constituents increased (Chart 1). The surplus also reduced by the end of March on the back of a more even averaging of required reserves by banks and their persistent need to keep high balances in correspondent accounts with the Bank of Russia. This resulted in lower allotment

a structural liquidity surplus excludes such Bank of Russia liabilities to banks as cash balances in their correspondent accounts.

A structural liquidity surplus characterises the banking sector's objective demand for Bank of Russia operations which is mainly formed by the factors external to the liquidity management system, including the provision of funds as part of bank bankruptcy prevention measures or funds placement by the Federal Treasury in bank deposits or repos.

This approach to calculation of structural liquidity surplus is applied by leading central banks managing banking sector liquidity through reverse transactions: ECB, Bank of England, Norges Bank, Riksbank, etc.

of funds at the Bank of Russia deposit auctions (Table 2).

Starting from 1 April 2019, the Bank of Russia's decision came into force that updates the composition of reservable liabilities of credit institutions and reduces required reserve ratios for certain types of liabilities.² This decision is aimed at raising transparency and unification of the procedure for calculating required reserves. Reservable liabilities of credit institutions include all long-term liabilities, liabilities to international financial organisations and the State Development Corporation VEB.RF. To compensate for the increase in required reserves, the Bank of Russia simultaneously reduced required reserve ratios for individual types of liabilities by 0.25 pp to 4.75%. Given the above, these decisions will have a neutral effect on banking sector liquidity.

Money market. The spread between short-term interbank rates and the Bank of Russia key rate shrank by 8 bp to -14 bp in the March averaging period (Chart 3). This was facilitated by the increase in funds supply by banks at the Bank of Russia deposit auctions against the established limits amid a more uniform required reserve averaging. This points to further adjustment of the banking sector to the current level of structural liquidity surplus.

Slight growth in the spread volatility was observed as rates increased as a result of banks' rising demand for liquidity after tax payments by their customers and at the end of the averaging period as the need for ruble liquidity of individual market participants rose temporarily.

FX liquidity. The interest rate spread in the FX swap and interbank segments expanded by 6 bp to +21 bp with volatility remaining virtually unchanged.

As before, a relatively low cost of FX borrowing was bolstered by the seasonally high inflow in the current account of the balance of payments amid the Bank of Russia's moderate purchases of foreign currency under the fiscal rule. In this environment, banks (including the ones servicing exporters) continued to accumulate FX liquidity.

In the months to come, the cost of FX borrowing may rise somewhat as a result of a seasonal decline in the inflow of foreign currency in the current account of the balance of payments; however, given the high stock of foreign currency in the banking sector, no considerable developments are expected.

The end-2019 forecast of the structural liquidity surplus has been kept at 2.8-3.3 trillion rubles.

Key rate. The Bank of Russia decision to keep the key rate at 7.75% p.a. in March was expected by the market. The Bank of Russia's comment regarding the key rate cut in 2019 made market participants revise the expected key rate path downwards. According to surveys by Bloomberg and Thomson Reuters, analysts predict monetary policy easing in 2019 Q4. At the same time, market quotes suggest that the key rate may be reduced somewhat earlier.

² New ratios apply to regulate the amount of required reserves from April 2019.

THE INTEREST RATE PATH EXPECTED BY MARKET PARTICIPANTS
SHIFTED DOWNWARDS

Table 1

1. Expectations based on market indicators*, interest rate (instrument)	July 2019	September 2019	December 2019
– MosPrime 3M (FRA)	8.28 (8.81)	8.11 (8.85)	8.01 (8.89)
– RUONIA (ROISfix)	7.62 (7.92)	7.62 (8.05)	7.55 (8.05)
– RUONIA (futures)	7.59 (7.83)	7.59 (7.90)	7.59 (7.90)
2. Analysts' expectations for the key rate*	As of 30 June 2019	As of 30 September 2019	As of 31 December 2019
– Bloomberg survey	7.75 (7.75)	7.75 (7.75)	7.50 (7.75)
– Reuters survey	7.75 (7.75)	7.75 (7.75)	7.50 (7.75)
3. Implied inflation rate (OFZ-IN)	March 2019		
– OFZ-IN-52001 (till 16 August 2023)	4.89 (4.96)		
– OFZ-IN-52002 (till 2 February 2028)	4.80 (4.89)		

* Data for the end of the current and previous month (in brackets).

Source: Bank of Russia calculations.

THE END-2019 FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS HAS BEEN KEPT
AT 2.8-3.3 TRILLION RUBLES
(TRILLIONS OF RUBLES)

Table 2

	January-March 2019	March 2019	2019 (forecast)
1. Liquidity factors (supply)	0.3	-0.1	[0.1; 0.6]
– changes in the balances of general government accounts with the Bank of Russia, and other operations*	-0.5	-0.2	[0.5; 0.9]
– change in cash in circulation	0.6	0.1	[-0.6; -0.5]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.2	0.1	0.2
– regulation of banks' required reserves with the Bank of Russia	0.0	0.0	0.0
2. Change in free bank reserves (correspondent accounts) (demand)	0.2	0.4	0.3
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	0.0	-0.5	[-0.2; 0.3]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)	0.0	0.0	0.0
Structural liquidity deficit (+) / surplus (-) (as of the period-end)	3.0		[-3.3; -2.8]

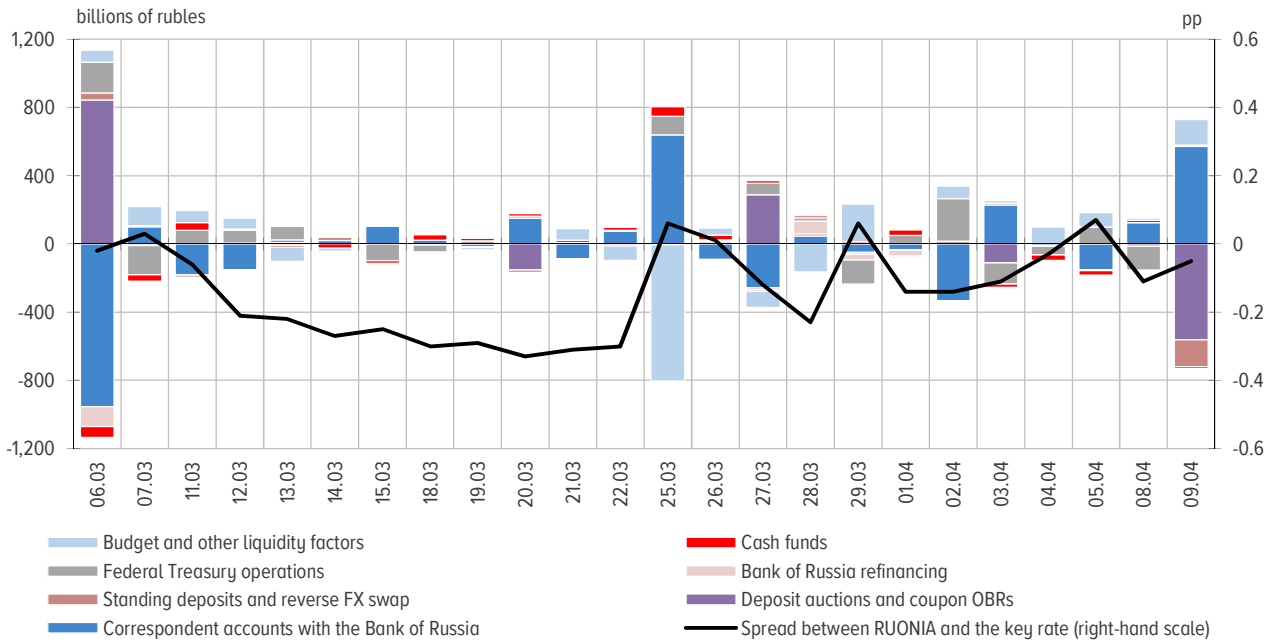
* Including operations to buy (sell) foreign currency in the domestic FX market under the fiscal rule, settlements on Bank of Russia USD/RUB FX swaps, and other operations.

** Forecast values of the indicator correspond to the actual volume of operations conducted.

Source: Bank of Russia calculations.

IN MARCH 2019, A SIZEABLE FUNDS OUTFLOW RESULTED FROM LARGE TAX PAYMENTS BY BANK CUSTOMERS AND OFZ PLACEMENT BY RUSSIA'S MINISTRY OF FINANCE
CHANGES IN THE BANK OF RUSSIA BALANCE SHEET AND MONEY MARKET RATES (OVERNIGHT)

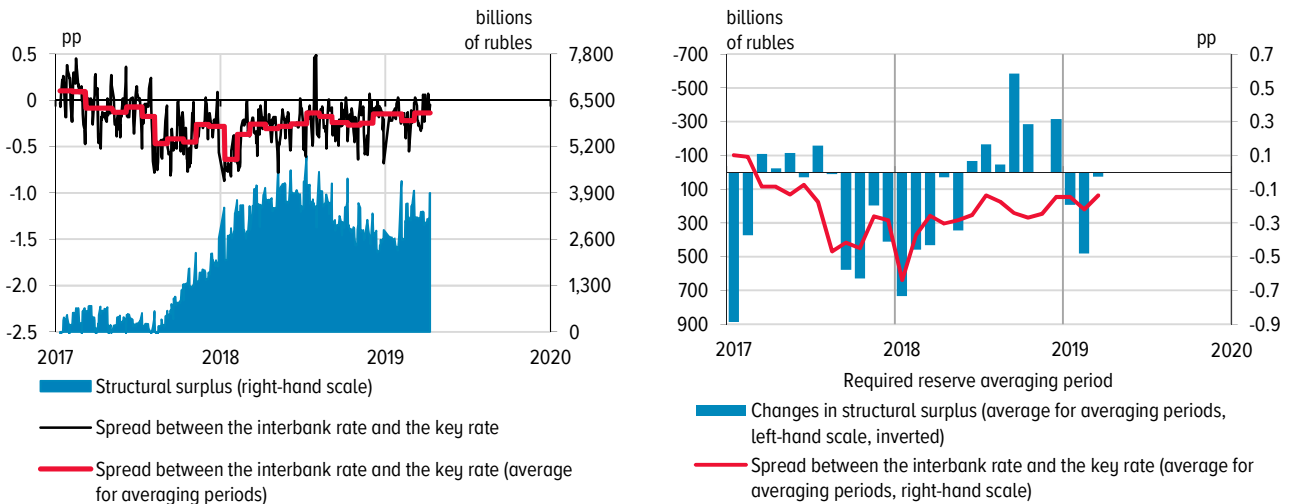
Chart 1



Source: Bank of Russia calculations.

INTERBANK LENDING RATES FORMED NEAR THE KEY RATE IN THE LOWER RANGE OF THE BANK OF RUSSIA INTEREST RATE CORRIDOR

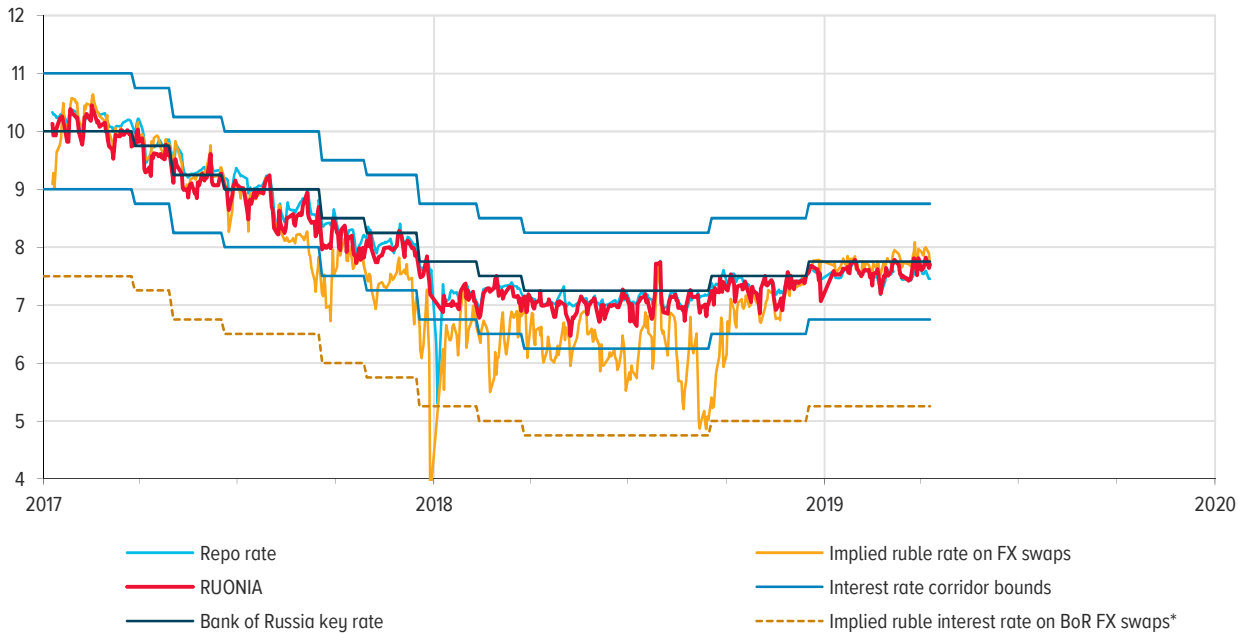
Chart 2



Source: Bank of Russia calculations.

**INTEREST RATE SPREAD IN THE FX SWAP
AND INTERBANK SEGMENTS REMAINED POSITIVE
(PP)**

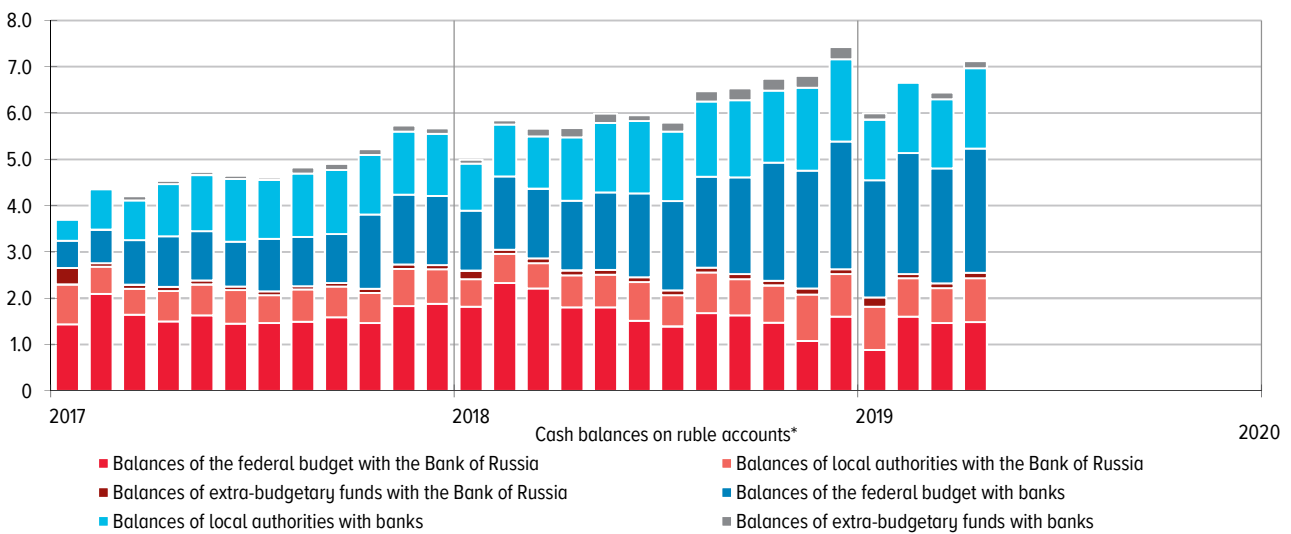
Chart 3



* Implied rate = ruble lending rate - FX borrowing rate + LIBOR
(from 19 December 2016: key rate - 1 pp - (LIBOR + 1.5 pp) + LIBOR = key rate - 2.5 pp).
Source: Bank of Russia calculations.

**FUNDS INFLOW TO BANKS WAS DRIVEN BY THE FEDERAL TREASURY'S OPERATIONS TO DEPOSIT FUNDS
IN BANK (ON-DEMAND) ACCOUNTS AND THE INCREASE IN BANKS' DEPOSIT LIABILITIES TO THE BUDGETS
OF RUSSIAN CONSTITUENTS
(TRILLIONS OF RUBLES)**

Chart 4



* According to data from banking reporting form 0409301 'Indicators characterising the performance of a credit institution'.
Source: Bank of Russia calculations.

IN MARCH 2019, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED
(START OF BUSINESS, TRILLIONS OF RUBLES)

Table 3

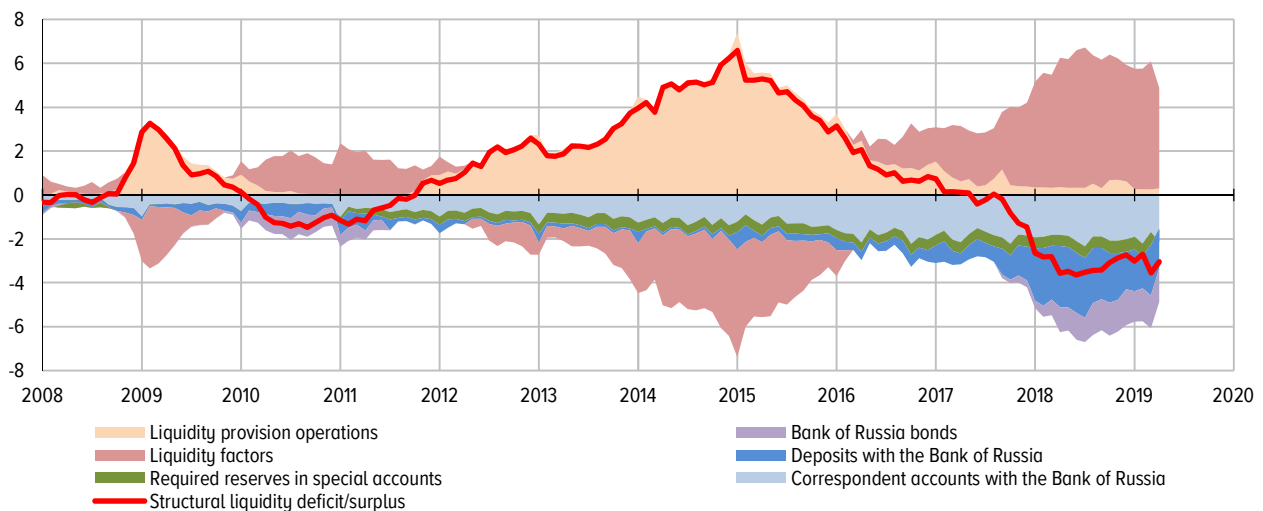
	1.01.2017	1.01.2018	1.01.2019	1.03.2019	1.04.2019
Structural liquidity deficit (+) / surplus (-)	0.7	-2.6	-3.0	-3.6	-3.0
Bank of Russia claims on credit institutions	1.3	0.0	0.0	0.0	0.0
Auction-based facilities	0.2	–	–	–	–
– repo and FX swap	–	–	–	–	–
– secured loans	0.2	–	–	–	–
Fixed interest rate facilities	1.0	0.0	0.0	0.0	0.0
– repo and FX swap	0.6	0.0	0.0	0.0	0.0
– secured loans	0.4	0.0	0.0	0.0	0.0
Credit institutions' claims on the Bank of Russia	0.8	2.7	3.3	3.8	3.3
Deposits	0.8	2.4	1.9	2.3	1.8
– auction-based	0.4	2.1	1.5	2.1	1.7
– fixed interest rate	0.4	0.2	0.4	0.2	0.1
Bank of Russia bonds	0.0	0.4	1.4	1.5	1.5
Standing reverse facilities other than Bank of Russia standard monetary policy instruments*	0.3	0.1	0.3	0.2	0.3

* These transactions include Bank of Russia specialised refinancing instruments, Bank of Russia loans issued under irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

Source: Bank of Russia calculations.

BANK OF RUSSIA BALANCE SHEET
(TRILLIONS OF RUBLES)

Chart 5



Source: Bank of Russia calculations.

FOREIGN EXCHANGE AND STOCK MARKET

In March, the Russian financial market was stable and most segments did not see any considerable price movements. This was associated with a neutral external environment and unchanged attitude to sanction risks. The negative impact of the ongoing slowdown of economic growth in the euro area on investors' sentiment was offset by further softening of the US Fed's rhetoric regarding monetary policy. As a result, investors' demand for assets of emerging market economies (EMEs) remained virtually unchanged in March. In particular, this is shown by EPFR Global data, which suggest that foreign investment in EME assets remain at the level seen in late February.

Foreign exchange rate. The ruble exchange rate rose against the US dollar by 0.3% whereas most other EME currencies depreciated. The composite JP Morgan EM currency index fell by 1.7% in March. The ruble's stronger performance is attributed to the high demand for Russian government bonds and Brent price increase from \$66 to \$68.4 a barrel. The ruble's appreciation below 64 rubles per US dollar in mid-March resulted from large foreign currency purchases by foreign investors after the US Fed softened its rhetoric significantly. The Mexican peso showed similar dynamics.

Country risk premium. Russia's CDS spread rose by 5 bp in March. Other EMEs demonstrated similar dynamics. The increase in premiums was largely associated with the technical

factor mentioned in the February issue of the commentary.³ As the 5-year CDS spread was calculated for a new contract, CDS premiums rose on 20 March by 10-20 bp depending on the country. Russia's CDS spread added 10 bp.

OFZ. Russia's Ministry of Finance continued to place OFZ in the government bond market. As auction limits were abolished in February and investors showed high demand, the Ministry of Finance placed securities worth 514 billion rubles in 2019 Q1 instead of the initially planned 450 billion rubles. In March, the ministry placed securities worth 268.7 billion rubles, of which securities worth 99.8 billion rubles were bought by foreign investors, securities worth 91.0 billion rubles – by systemically important credit institutions, and the rest was purchased by other local investors. Taking into account operations in the secondary stock market, in March, foreign investors increased OFZ investments by 104 billion rubles (exchange data), which is the highest reading since August 2017. The zero coupon yield curve remained virtually unchanged last month declining by only 1-5 bp depending on maturity.

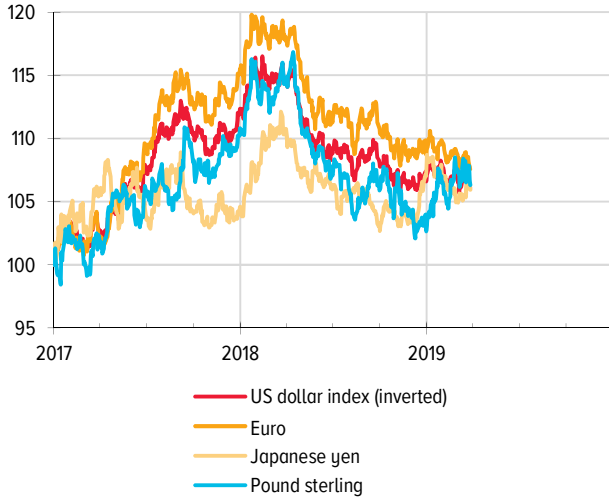
Stocks. The Russian stock market was stable in March. The ruble MSCI index rose by 0.5% while the US dollar RTS index added 0.8%. Such performance conformed with other EMEs. The MSCI EM index grew by 0.7% over the period under review. Local investors supported the market as foreign investors reduced their investments by 26 billion rubles over the month.

³ *Banking sector liquidity and financial markets, No. 2 (36), February 2019, http://www.cbr.ru/Collection/Collection/File/15759/LB_2019-36.pdf.*

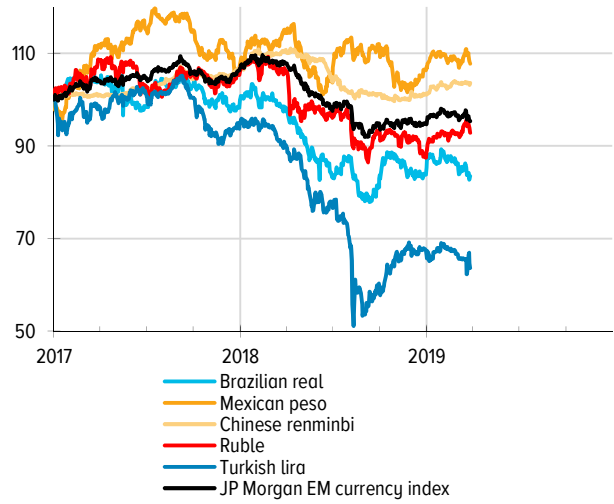
IN MARCH, THE RUBLE APPRECIATED AGAINST THE US DOLLAR WHEREAS MOST EME CURRENCIES DEPRECIATED*

Chart 6

ADVANCED ECONOMY CURRENCY RATES



EMERGING MARKET ECONOMY CURRENCY RATES

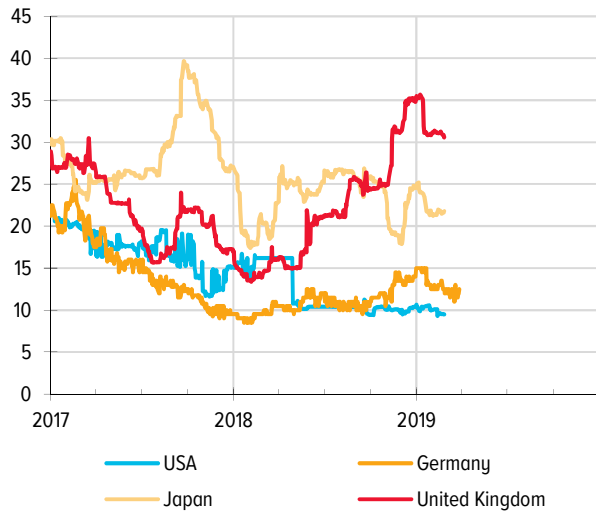


* Against the US dollar. Inverted exchange rate.
Sources: Bloomberg, Bank of Russia calculations.

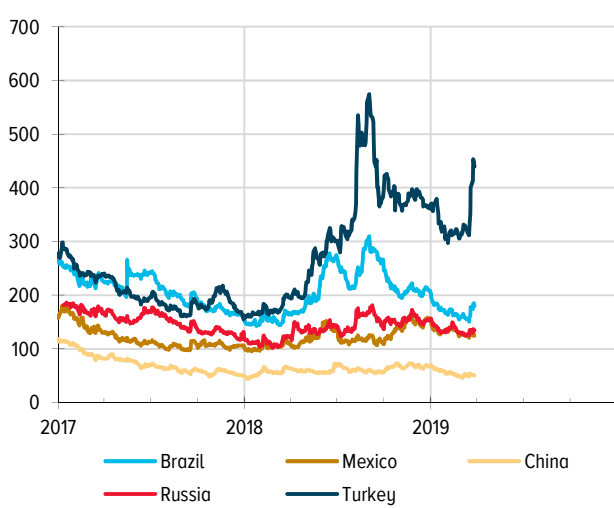
MOST EMES REGISTERED GROWTH IN CDS SPREAD AS CONTRACTS FOR CALCULATION CHANGED (BP)

Chart 7

CDS OF ADVANCED ECONOMIES



CDS OF EMERGING MARKET ECONOMIES

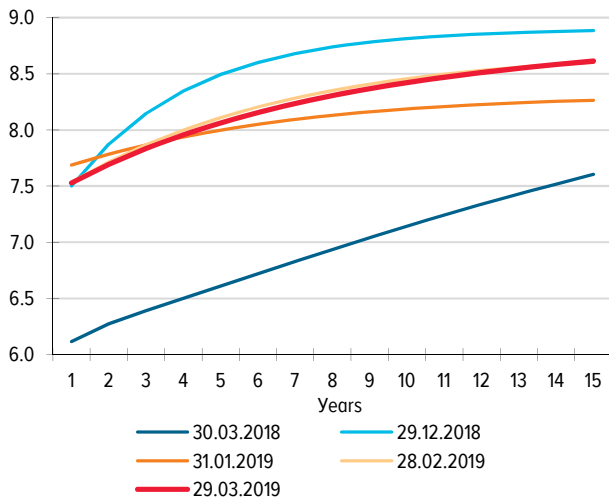


Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

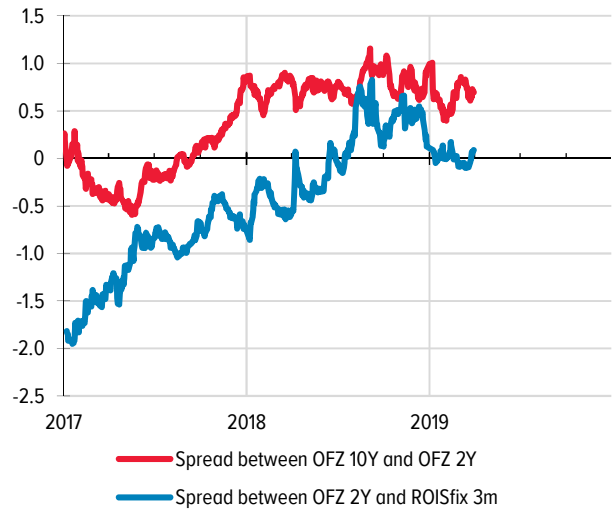
**THE OFZ YIELD CURVE SHIFTED DOWNWARDS
BY 1-5 BP DEPENDING ON MATURITY**

Chart 8

OFZ ZERO COUPON YIELD CURVE (% P.A.)



SPREADS (BP)

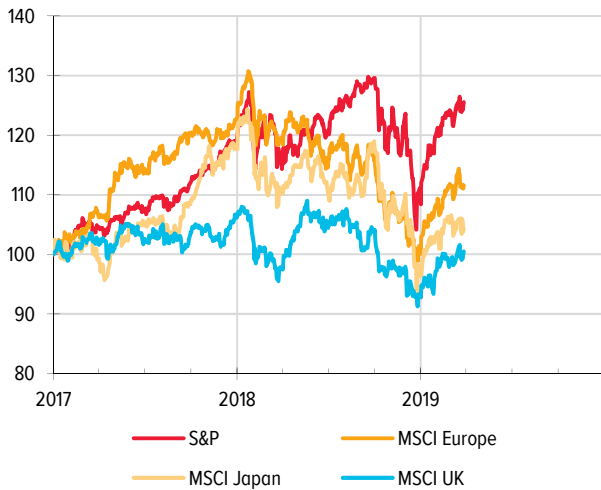


Source: PJSC Moscow Exchange.

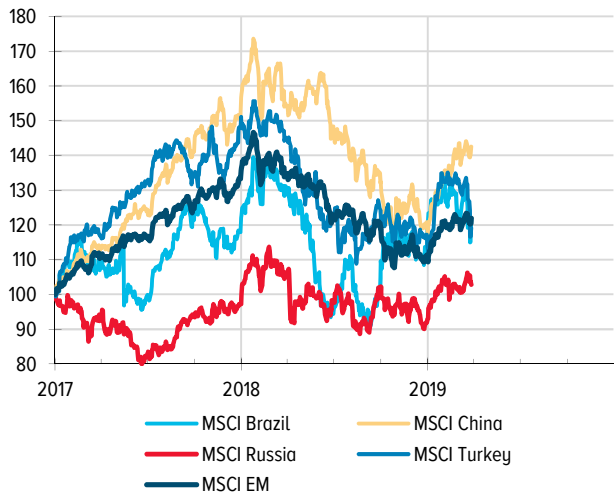
**MOST EME STOCK INDICES GREW BY NO MORE THAN 1%
(3 JANUARY 2017 = 100)**

Chart 9

ADVANCED ECONOMY STOCK INDICES



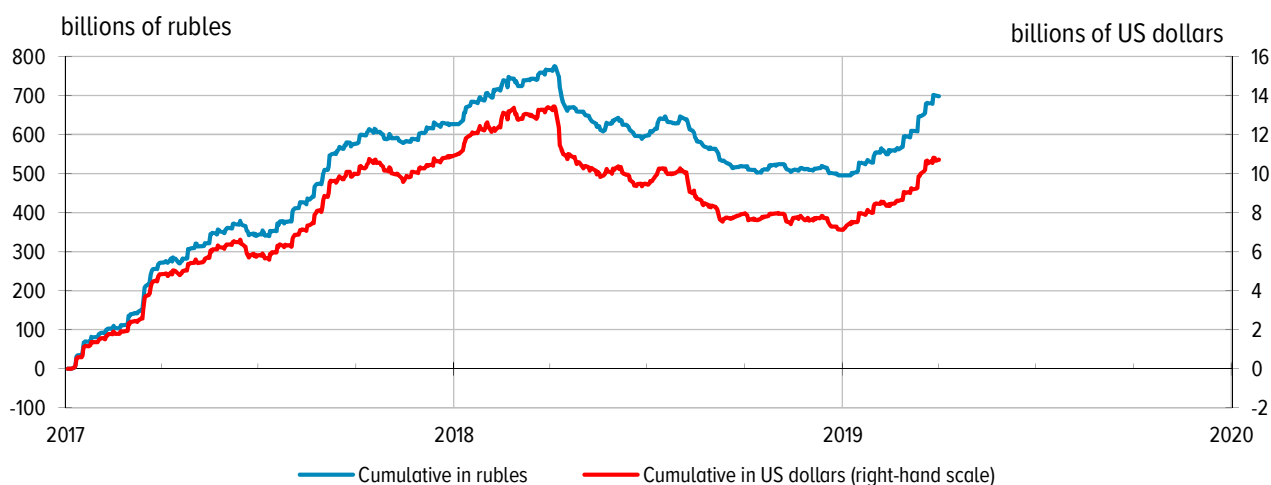
EMERGING MARKET ECONOMY STOCK INDICES



Sources: Bloomberg, Bank of Russia calculations.

IN MARCH, FOREIGN INVESTORS CONTINUED TO INCREASE OFZ INVESTMENTS
FOREIGN INVESTORS' NET PURCHASES IN THE OFZ MARKET
 (EXCHANGE DATA)

Chart 10



Source: Bank of Russia calculations.

MOST SEGMENTS OF THE RUSSIAN MARKET SAW
MODERATE PRICE GROWTH

Table 4

Indicator		29 March 2019	1M	3M	6M	12M
Russian financial market						
RUB/USD exchange rate		65.76	0.2	5.8	-0.3	-12.0
MOEX Index		2,497	0.5	5.9	0.9	11.0
RTS index		1,198	0.8	12.4	0.5	-2.3
Government bond yield		8.11	-1	-30	-12	139
Corporate bond yield		8.80	-12	-35	5	155
Regional bond yield		8.65	-4	-8	9	156
CDS spread		134	5	-19	-9	12
RVI		22	-1	-5	-2	1
Exchange rates (per cent change, '+' – appreciation, '-' – depreciation)						
AEs*	US dollar index	97.28	1.2	0.9	2.3	8.0
	Euro	1.12	-1.4	-2.0	-3.3	-9.1
	Japanese yen	110.86	0.4	-0.5	2.6	-4.0
	Pound sterling	1.30	-1.7	2.6	0.0	-7.6
EMEs	JP Morgan EM currency index	62.53	-1.7	0.5	0.7	-11.5
	Ruble	65.76	0.2	5.8	-0.3	-12.0
	Brazilian real	3.92	-3.9	-0.7	3.1	-14.3
	Mexican peso	19.43	-0.9	1.2	-3.7	-6.1
	Chinese renminbi	6.71	-0.3	2.5	2.3	-6.3
	Turkish lira	5.57	-5.2	-6.3	8.2	-28.9
	South African rand	14.50	-3.0	-0.5	-2.5	-19.0
CDS spreads (% p.a., change in bp, '+' – growth, '-' – decline)						
AEs	USA	9	0	-1	0	-7
	Euro area	13	1	-2	2	2
	Japan	22	0	-3	-4	-1
	United Kingdom	31	0	-5	6	15
EMEs	Russia	134	5	-19	-9	12
	Brazil	180	23	-31	-83	12
	Mexico	125	0	-32	12	12
	China	50	0	-17	-6	-15
	Turkey	134	5	-19	-9	12
	South Africa	203	27	-21	-1	50

10-year bond yield (% p.a., change in bp, '+' – growth, '-' – decline)						
AEs	USA	2.41	-31	-31	-66	-38
	Euro area	-0.07	-25	-31	-54	-57
	Japan	-0.09	-6	-9	-22	-12
	United Kingdom	1.00	-30	-27	-58	-37
EMEs	Russia	8.38	-4	-32	-15	133
	Brazil	8.97	-4	-27	-279	-53
	Mexico	8.01	-15	-67	9	69
	China	3.06	-10	-24	-55	-66
	Turkey	17.80	304	173	-90	518
	South Africa	9.15	-10	45	45	45
Stock indices (points, per cent change, '+' – growth, '-' – decline)						
AEs	S&P	2,834	1.8	14.0	-2.7	8.8
	MSCI Europe	1,635	0.2	10.4	-4.3	-6.6
	MSCI Japan	954	-0.9	6.6	-11.9	-5.2
	MSCI UK	2,098	2.6	7.6	-3.5	2.9
EMEs	MSCI EM	1,058	0.7	9.9	1.0	-9.0
	MSCI Russia	640	0.9	12.6	0.9	-1.6
	MSCI Brazil	2,081	-4.0	6.8	20.3	-5.5
	MSCI Mexico	4,633	0.2	5.3	-15.2	-13.5
	MSCI China	84	2.4	18.8	5.3	-7.5
	MSCI Turkey	1,272,769	-11.0	2.5	-6.0	-17.4
	MSCI South Africa	1,368	0.4	4.6	1.5	-1.7

* Advanced economies.

Sources: Bloomberg, PJSC Moscow Exchange, Cbonds.ru, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. The trend towards the increase of interest rates on ruble deposits that emerged in September 2018 continued into the opening months of 2019 (Chart 11). Preliminary data suggest that in February interest rates on both short- and long-term household deposits exceeded the January level by 0.1 pp. In March, a number of Russian banks, including majors, raised interest rates on ruble deposits. However, the ongoing downward movement of rates on long-term stock and money market instruments may be expected to exhaust the deposit rate growth potential.

The FX deposit segment showed signs of a shift in the trend towards the rate increase seen over the past year. In March, a number of large banks (deposit market participants) cut their FX deposit rates. The revision of banks' interest-rate policy may be explained by the fact that after a record-high increase of the average rate on long-term US dollar-denominated deposits in September 2018 (0.6 pp over the month), the outflow of household funds from FX deposits seen during the most of the year gave way to a sustainable inflow. As the portfolio of household FX deposits recovered, banks' interest in attracting new retail FX funds might decline.

Deposit operations. In February 2019, household deposit balances continued to increase with their annual growth rate rising slightly⁴ (Chart 12). FX deposit growth rates outpaced the similar indicator of the market's ruble segment in February. However, preliminary data suggest that FX deposit balance growth slowed in March after the reduction of FX deposit rates. This suggests that the trend towards the decline in the share of household FX deposits will recover in the months to come.

The ruble segment of the market saw a recovering depositors' interest in long-term deposits in February and previous months. Annual growth of long-term ruble deposits had increased by early March to 12.2% (10.3% a month earlier), the share of long-term liabilities in total deposits continued to expand.

Credit rates. Interest rates in the retail segment of the credit market showed mixed dynamics in 2019 Q1. The ongoing increase in market average rates on mortgage loans came with a drop in car loan rates in February.

⁴ Here and elsewhere, growth of banks' balances is based on reporting data of operating credit institutions included in the State Register as of the reporting date. The increase in FX assets and liabilities is indicated in US dollar terms, the increase in balance sheet indicators which include FX and ruble components is adjusted for FX revaluation using the Marshall-Edgeworth decomposition.

That said, no large bank announced rate increase for standard mortgage programmes in March whereas a number of car loan market participants cut rates. Therefore, the potential for mortgage rate growth may be expected to peter out and give way to a moderate rate decrease in individual retail market segments in the short run. Rates on corporate loans which rose considerably in January⁵ showed mixed dynamics in February: a decline in short-term loan rates came with a rise in rates on longer-term operations.

Corporate lending. The trend towards the replacement of FX corporate loans with ruble-denominated ones mentioned in previous issues of the commentary held in February (annual growth in the ruble loan portfolio as of early March came in at 12.1% whereas the FX loan portfolio shrank by 10.3% over the year). Preliminary estimates suggest that March also saw growth in ruble-denominated corporate loans as FX lending continued to shrink. After

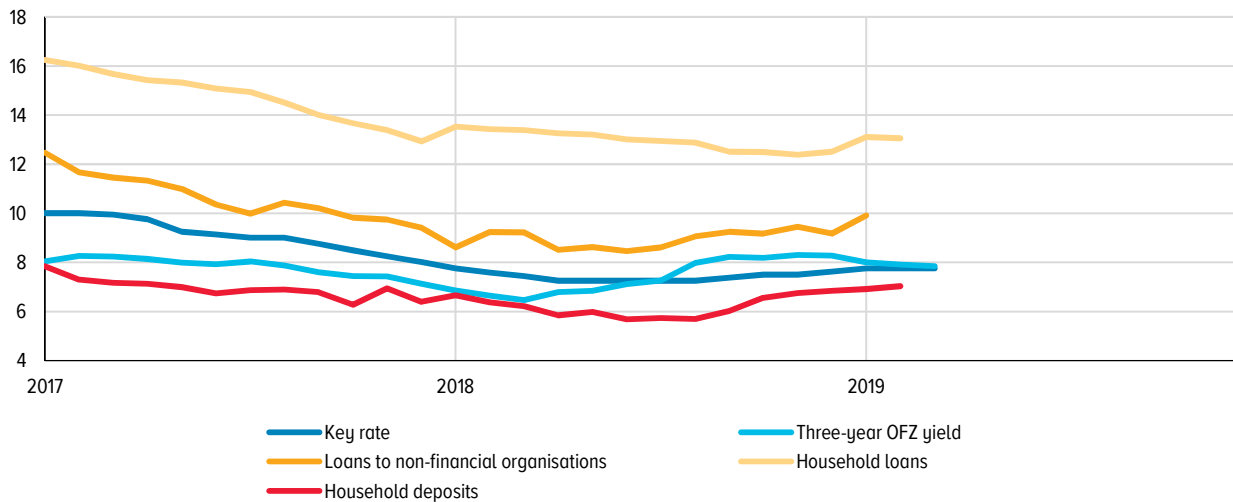
a January surge in overdue corporate loans associated with changes in approaches to bank asset accounting, this indicator did not show any considerable fluctuations (Chart 13).

Retail lending. In February 2019, annual growth in retail loan portfolio of Russian banks continued to go up despite the increase in loan rates. Mortgages and consumer lending made comparable contributions to growth in the retail loan portfolio; that said, the trend towards a slow expansion of the contribution of consumer lending to total growth held. The effect of the lending rate increase in recent months (at least a fraction of loans extended in February was finalised in previous months, that is at a lower rate) and macroprudential measures aimed at constraining certain segments of the retail lending market will restrain growth acceleration in retail lending. Throughout this year, the current retail lending growth rates may be expected to stabilise or slow down slightly.

⁵ *Importantly, in January the Bank of Russia adopted a new methodology for calculating rates on loans to non-financial organisations; this factor may in part determine the observed rate movements.*

IN EARLY 2019, DEPOSIT MARKET RATES CONTINUED TO GROW WHILE LENDING RATES SHOWED MIXED DYNAMICS RATES ON BANKS' LONG-TERM RUBLE TRANSACTIONS (% P.A.)

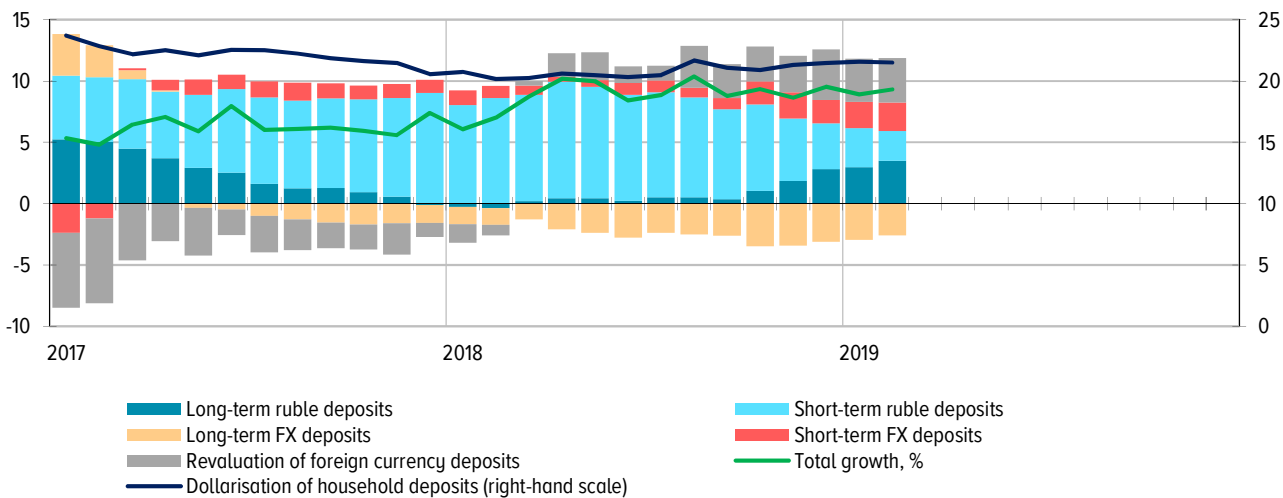
Chart 11



Source: Bank of Russia.

DEPOSITORS INTEREST IN LONG-TERM RUBLE DEPOSITS CONTINUES TO RECOVER CONTRIBUTION OF INDIVIDUAL COMPONENTS TO ANNUAL GROWTH OF HOUSEHOLD DEPOSITS (PP)

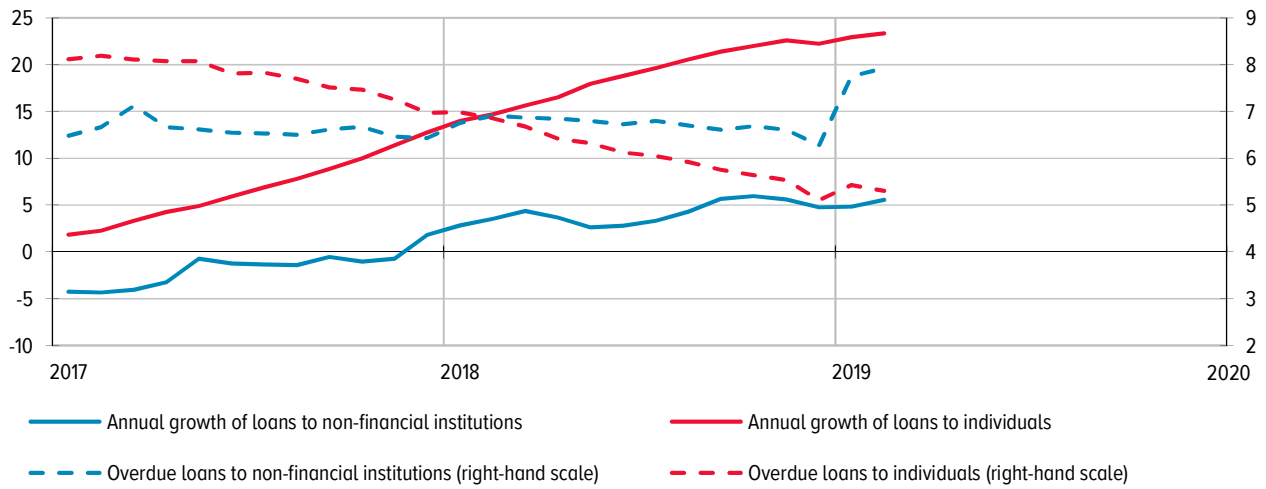
Chart 12



Source: Bank of Russia calculations.

HOUSEHOLD LENDING GREW AT AN OUTPACING RATE
RUSSIAN CREDIT MARKET INDICATORS (%)

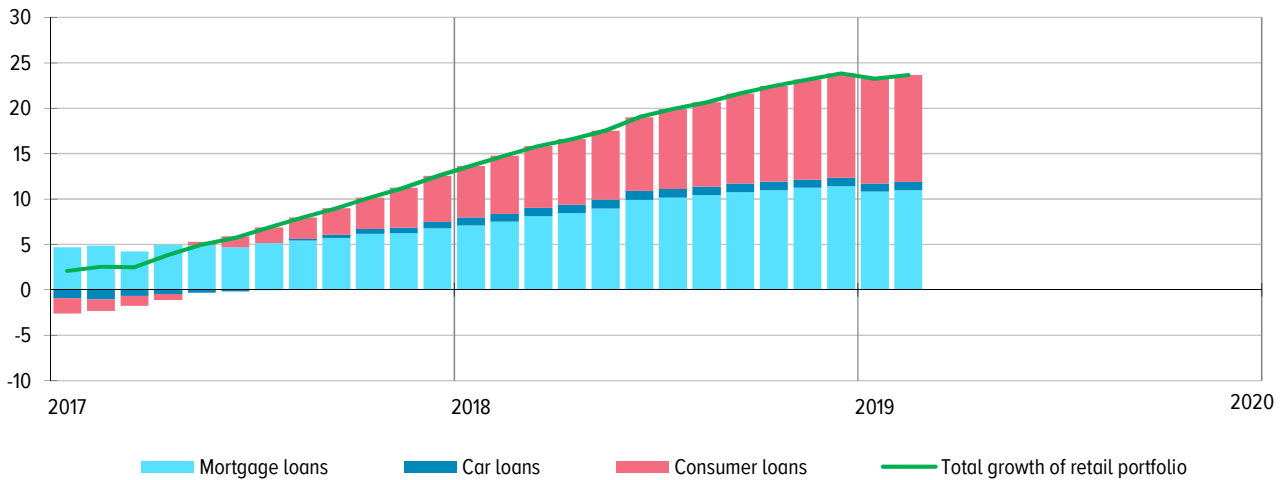
Chart 13



Source: Bank of Russia calculations.

IN EARLY 2019, THE CONTRIBUTION OF MORTGAGE AND CONSUMER LENDING TO RETAIL LENDING WAS COMPARABLE
CONTRIBUTION OF INDIVIDUAL COMPONENTS TO ANNUAL GROWTH OF RETAIL LOAN PORTFOLIO (PP)

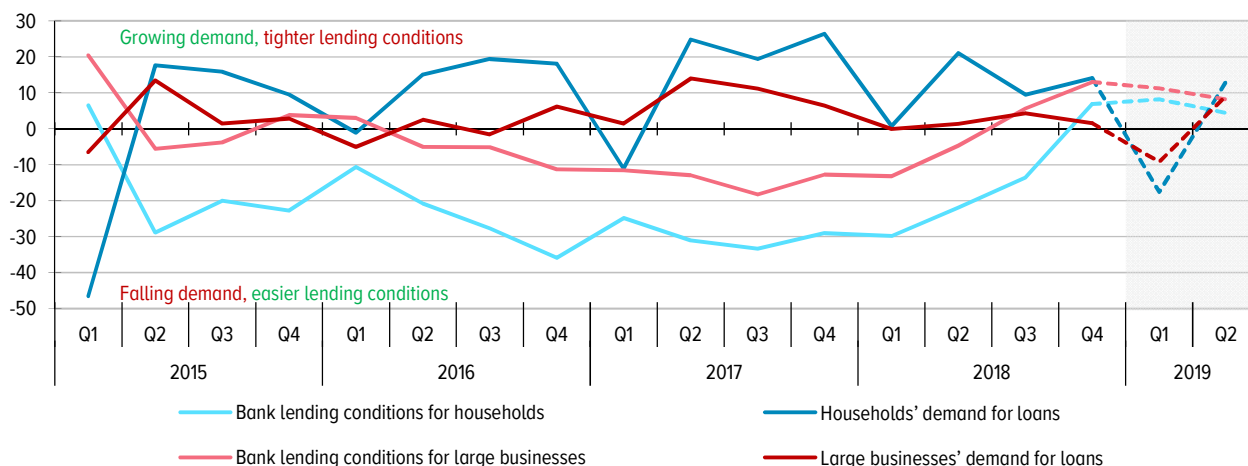
Chart 14



Source: Bank of Russia calculations.

THE MODERATE TIGHTENING OF LENDING CONDITIONS IN LATE 2018 AND EARLY 2019
WAS LARGELY DUE TO HIGHER CREDIT RATES
LENDING CONDITIONS AND DEMAND FOR LOANS INDICES (PP)

Chart 15



Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		November 2018	December 2018	January 2019	February 2019
Rates on long-term ruble-denominated bank operations					
– household deposits	% p.a.	6.8	6.8	6.9	-
– household loans	% p.a.	12.4	12.5	13.1	-
– corporate loans*	% p.a.	9.4	9.2	9.9	-
Household deposits	% YoY, AFCR	5.7	5.4	5.4	5.7
– in rubles	% YoY	8.9	8.3	7.8	7.5
– in foreign currency	% YoY	-5.6	-5.2	-3.6	-1.2
– dollarisation	%	21.3	21.5	21.5	21.5
Loans to non-financial organisations	% YoY, AFCR	5.6	4.7	4.8	5.6
– short-term (less than 1 year)	% YoY, AFCR	3.7	3.8	-0.6	-2.0
– long-term (more than 1 year)	% YoY, AFCR	6.0	5.4	4.9	6.1
– overdue loans	%	6.6	6.3	7.8	7.9
Loans to households	% YoY, AFCR	22.6	22.2	23.0	23.4
– housing mortgage loans	% YoY, AFCR	25.5	23.4	23.7	24.8
– unsecured consumer loans	% YoY	22.5	22.7	23.2	23.6
– overdue loans	%	5.5	5.1	5.4	5.3

* Starting from January 2019, the procedure for calculating rates on loans to non-financial organisations was revised (in particular, affiliated parties were excluded from the calculation base). This may affect the rate statistics.

Note: YoY – on corresponding period of previous year, AFCR – adjusted for foreign currency revaluation.

Source: Bank of Russia calculations.

Cut-off date:

- 'Banking sector liquidity and money market' section – 9 April 2019 (reserve requirements are an important part of the Bank of Russia's instruments to manage banking sector liquidity and money market rates. Therefore, the analysis of the effectiveness of the Bank of Russia's monetary policy operational procedure should take into account required reserves averaging periods. In March-April 2019, this period is from 6 March 2019 to 9 April 2019);
- 'Foreign exchange and stock market' section – 31 March 2019;
- 'Credit and deposit market' section – 1 March 2019.

A soft copy of information and analytical commentary is available on the Bank of Russia website (<http://www.cbr.ru/DKP/>). Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary is prepared by the Monetary Policy Department.

Cover photo: Shutterstock.com.

12 Neglinnaya Street, Moscow 107016
Bank of Russia website: www.cbr.ru