



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

9 August 2019

Banking sector liquidity and financial markets: facts, estimates and comments (July 2019)

- The structural liquidity surplus increased in July. This was largely associated with the placement of extra-budgetary funds in bank deposits and measures implemented to improve financial resilience of certain credit institutions.
- The spread between short-term interbank loans and the Bank of Russia key rate slightly widened on the back of the expected key rate cut at the July meeting of the Board of Directors.
- The interest rate spread in the FX swap and interbank segments continued to shrink following the seasonally low currency inflow in the current account and amid sustainably high fiscal rule-based foreign currency purchases.
- The Bank of Russia's decision to cut the key rate at the July meeting was in line with market participants' expectations and did not have a significant impact on their forecast regarding the rate dynamics.
- In July, the Russian financial market was mainly positive. However, unlike in the previous month, its individual segments saw a moderate decrease in quotes mainly caused by local factors.
- Retail loan and deposit rates declined in 2019 Q2. The drop in the corporate segment of the credit market was unstable and non-uniform.
- In June, both consumer and mortgage loans continued to slow down the growth of retail lending. The corporate segment of the credit market recorded a moderate rise in the annual growth rate of the loan portfolio. The trend towards the replacement of foreign currency loans with ruble denominated ones and short-term loans with longer-term ones continued.

Banking sector liquidity and the money market

Ruble liquidity. In July, the structural liquidity surplus increased by ₺0.4 trillion to ₺2.7 trillion (Chart 1). In particular, this was attributed to the placement of extra-budgetary funds (the Pension Fund of the Russian Federation and the Social Insurance Fund) in bank deposits and the liquidity inflow resulting from the measures implemented to improve financial resilience of individual credit institutions. In addition, banks raised considerable funds through operations of the Federal Treasury, including nearly ₺100 billion placed with banks through the resumed FX swap transactions (last carried out in December 2018).

Expecting the Bank of Russia Board of Directors to cut the key rate at the meeting on 26 July 2019, banks, as a month earlier, formed high liquidity supply at the Bank of Russia deposit auctions in the first half of the averaging period. Major customer transactions on certain days contributed to the increase in banks' claims on

the Bank of Russia's standing deposit facilities. After the approval of the key rate decision, banks increased their correspondent account balances again and reduced deposits with the Bank of Russia, which slightly decreased the liquidity surplus as of the beginning of August.

Money market. The spread between short-term interbank rates and the Bank of Russia key rate expanded to -19 bp (vs -14 bp in the June averaging period) (Chart 2). The spread volatility remained almost unchanged at 11 bp. The spread widening was also associated with market participants' expectations of a key rate cut at the July meeting of the Bank of Russia Board of Directors. Following the Board's meeting on 26 July 2019, interest rates approached the Bank of Russia key rate.

FX liquidity. Interest rate spreads in the FX swap and interbank (basis) segments continued to narrow, shrinking on average to 8 bp in the July averaging period (vs 17 bp in the June averaging period) (Chart 3). As before, the reduction was driven by the seasonally low currency inflow in the current account amid sustainably high oil

prices and, accordingly, high fiscal rule-based foreign currency purchases.

The forecast of structural liquidity surplus as of the end of 2019 has been revised upwards from ₺3.0–3.3 trillion to ₺3.2–3.5 trillion owing to the inflow of funds resulting from the measures implemented to improve financial stability of individual credit institutions (Table 2).

The Bank of Russia's decision to cut the key rate at the July meeting was in line with

market participants' expectations and did not have a significant impact on the forecast rate dynamics. However, market indicators suggest that at the end of June market participants expected a more moderate decrease in the key rate throughout 2019 (Table1). The expectations changed before the Bank of Russia's meeting because of a slowing inflation and the Bank of Russia's comments on the future monetary policy stance.

IN JUNE, MARKET PARTICIPANTS EXPECTED A MORE MODERATE RATE REDUCTION UNTIL THE END OF 2019.

Table 1

1. Expectations based on market indicators* (as of month-end), interest rate (instrument)	September 2019	December 2019
– MosPrime 3M (FRA)	7.79 (7.80)	7.46 (7.66)
– RUONIA (ROISfix)	7.11 (7.38)	7.05 (7.21)
– RUONIA (futures)	7.00 (7.35)	7.00 (7.23)
2. Analysts' expectations for the key rate*	As of 30.09.2019	As of 31.12.2019
– Bloomberg survey	7.25 (7.25)	7.00 (7.125)
– Reuters survey	7.00 (7.25)	7.00 (7.25)
3. Implied inflation rate (OFZ-IN)	July 2019	
– OFZ-IN-52001 (until 16.08.2023)	3.70 (3.90)	
– OFZ-IN-52002 (until 02.02.2028)	3.75 (3.89)	

* Values are given as of the end of the current and previous months (in brackets).

Source: Bank of Russia calculations.

THE FORECAST OF STRUCTURAL LIQUIDITY SURPLUS AS OF THE END OF 2019 HAS BEEN REVISED UPWARDS FROM ₱3.0–3.3 TRILLION TO ₱3.2–3.5 TRILLION OWING TO THE INFLOW OF FUNDS RESULTING FROM THE MEASURES IMPLEMENTED TO IMPROVE FINANCIAL STABILITY OF INDIVIDUAL BANKS (TRILLIONS OF RUBLES)

Table 2

	January–July 2019	July 2019	2019 (forecast)
1. Liquidity factors (supply)	0.4	0.6	[0.6; 0.9]
– change in the balances of general government accounts with the Bank of Russia, and other operations*	-0.3	0.6	[0.7; 0.9]
– change in the amount of cash in circulation	0.4	0.0	[-0.4; -0.3]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.3	0.0	0.3
– 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)	0.7	0.2	0.4
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	-0.4	0.4	[0.2; 0.5]
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)	-2.7		[-3.5; -3.2]

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

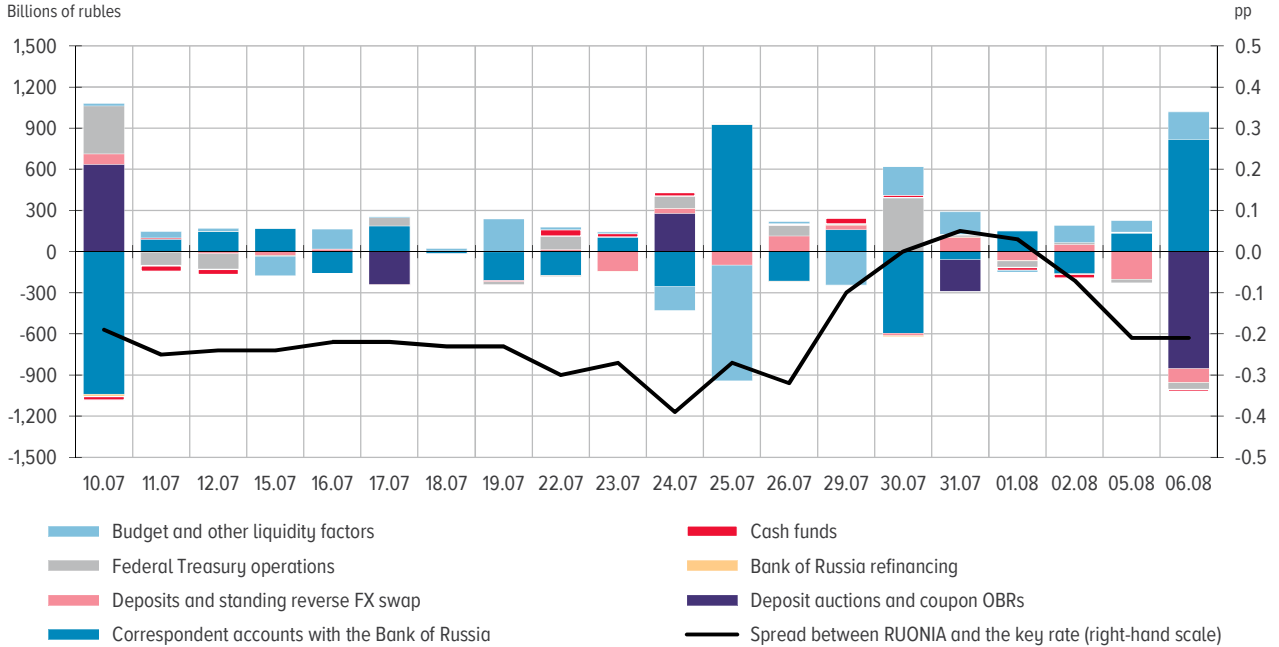
** Forecast values of the indicator are in line with the actual amount of operations conducted.

Source: Bank of Russia calculations.

A CONSIDERABLE INFLOW OF FUNDS INTO THE BANKING SECTOR FORMED IN JULY 2019 OWING TO THE PLACEMENT OF EXTRA-BUDGETARY FUNDS (THE PENSION FUND OF THE RUSSIAN FEDERATION AND THE SOCIAL INSURANCE FUND) IN BANK DEPOSITS AND THE LIQUIDITY INFLOW RESULTING FROM THE MEASURES IMPLEMENTED TO IMPROVE FINANCIAL RESILIENCE OF INDIVIDUAL CREDIT INSTITUTIONS

Chart 1

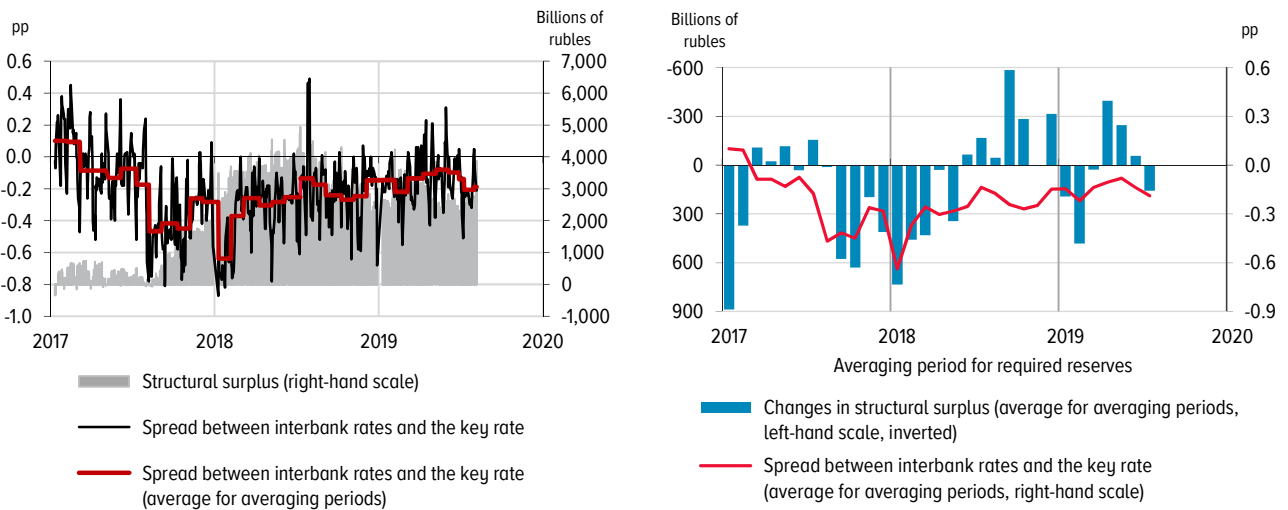
CHANGES IN THE BANK OF RUSSIA BALANCE SHEET AND MONEY MARKET RATES (OVERNIGHT)



Source: Bank of Russia calculations.

THE SPREAD BETWEEN INTERBANK RATES AND THE KEY RATE SLIGHTLY EXPANDED

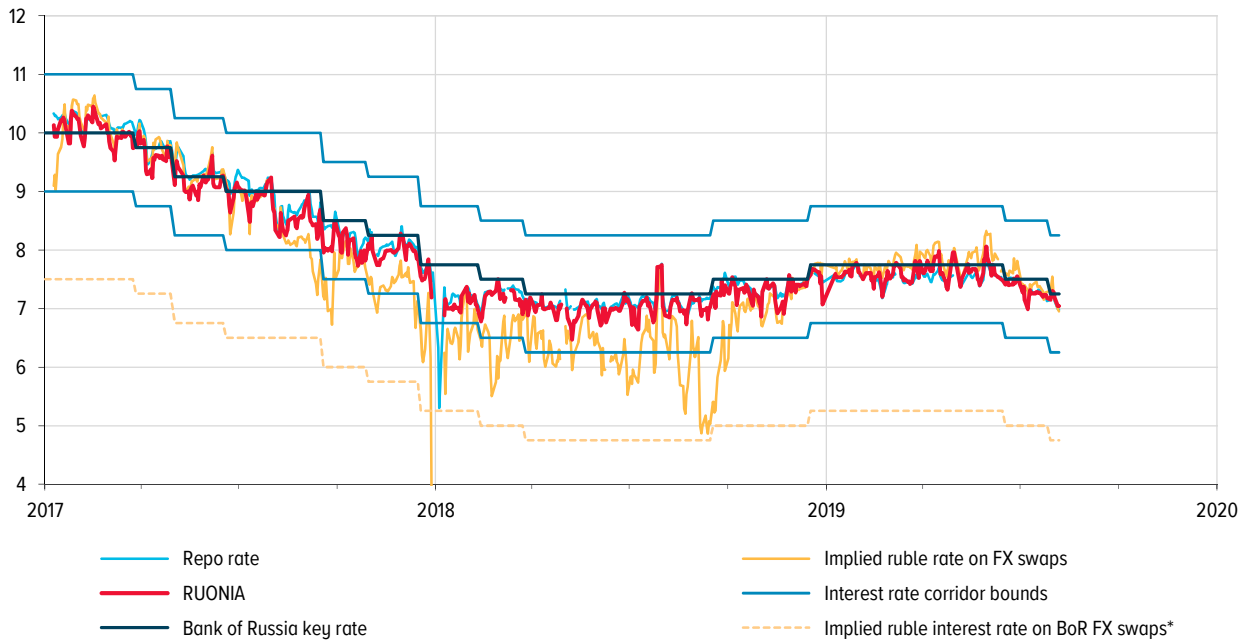
Chart 2



Source: Bank of Russia calculations.

THE SPREAD IN THE FX SWAP AND INTERBANK SEGMENTS CONTINUED TO SHRINK (% P.A.)

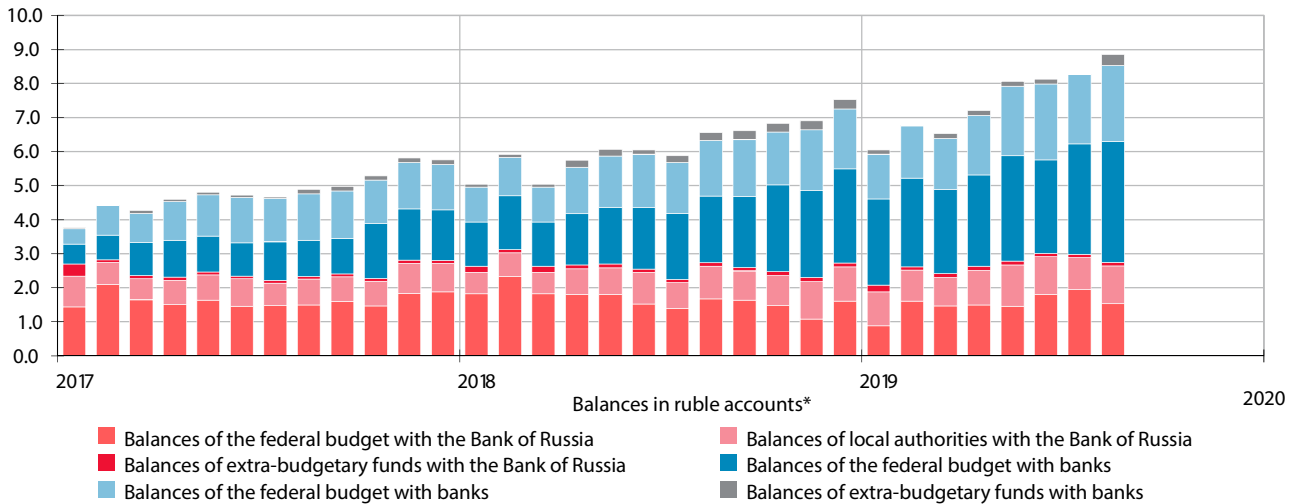
Chart 3



* Implied rate = ruble lending rate - FX borrowing rate + LIBOR (from 19.12.2016: key rate - 1 pp - (LIBOR + 1.5 pp) + LIBOR = key rate - 2.5 pp).
Source: Bank of Russia calculations.

IN JULY, BALANCES OF BUDGETARY FUNDS WITH BANKS SIGNIFICANTLY INCREASED (TRILLIONS OF RUBLES)

Chart 4



* According to banking reporting form 0409301 'Performance indicators of a credit institution'.
Source: Bank of Russia calculations.

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

Table 3

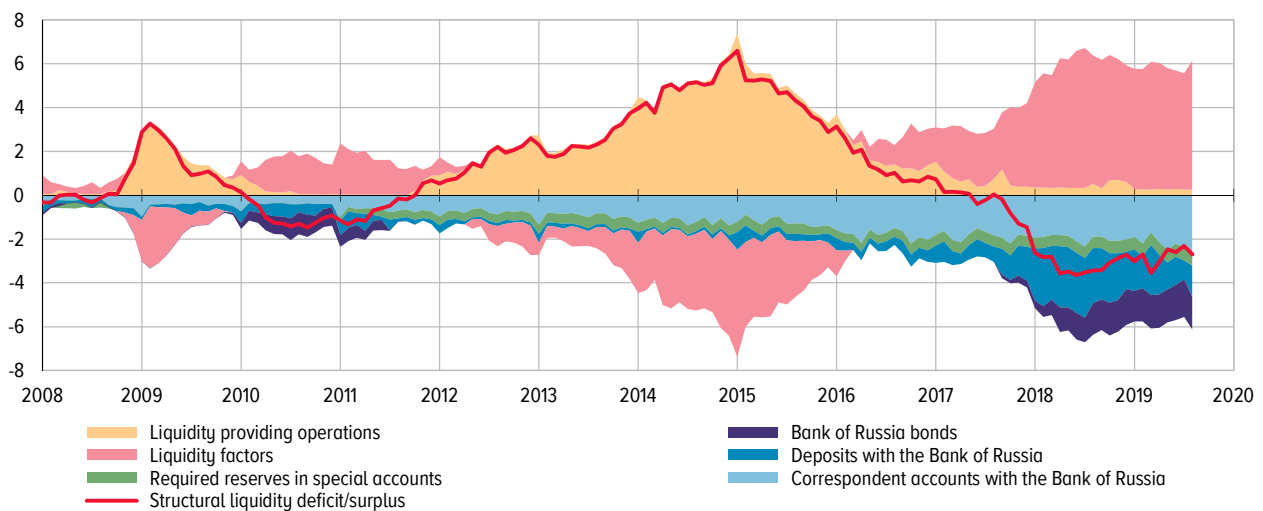
	01.01.2017	01.01.2018	01.01.2019	01.07.2019	01.08.2019
Structural liquidity deficit (+) / surplus (-)	0.7	-2.6	-3.0	-2.3	-2.7
Bank of Russia claims to credit institutions	1.3	0.0	0.0	0.0	0.0
Auction-based facilities	0.2	-	-	-	-
– repos and FX swaps	-	-	-	-	-
– secured loans	0.2	-	-	-	-
Fixed interest rate facilities	1.0	0.0	0.0	0.0	0.0
– repos and FX swaps	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 to the Bank of Russia	0.8	2.7	3.3	2.6	2.9
Deposits	0.8	2.4	1.9	0.9	1.4
– auction-based	0.4	2.1	1.5	0.7	1.3
– fixed interest rate	0.4	0.2	0.4	0.2	0.1
Bank of Russia bonds	0.0	0.4	1.4	1.7	1.5
Standing reverse facilities, other than Bank of Russia standard monetary policy instruments*	0.3	0.1	0.3	0.2	0.2

* These transactions include Bank of Russia specialised refinancing instruments, loans granted by the Bank of Russia within 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 markets

In July, the Russian financial market was mainly positive. However, unlike in the previous month, its individual segments saw a moderate decrease in quotes primarily caused by local factors.

Foreign exchange rate. In July, the ruble weakened against the US dollar by 0.6%. The exchange rate fluctuated diversely during the month: the ruble depreciated in early July (from ₺63 to ₺64 per US dollar) and then strengthened again comparably (Chart 6). In both cases, these movements were caused by the activities of individual major market participants. In the second half of the month, the ruble exchange rate went gradually down following the general downward trend of the emerging market currencies. The latter was associated with the expectations of a slower easing of the US monetary policy than previously assumed by investors.

Country risk premium. Russia's CDS spread shrank during the month by 15 bp to 99 bp, having reached its minimum set in August 2008 (Chart 7). The record-low spread was partially attributed to the overall shrinkage in CDS spreads in emerging markets (EMs). The difference between the Russian spread and the

spread in other EMs with stable macroeconomic conditions (68 bp) remained almost unchanged in July and continues to hold above the levels recorded before the imposition of the US sanctions in April.

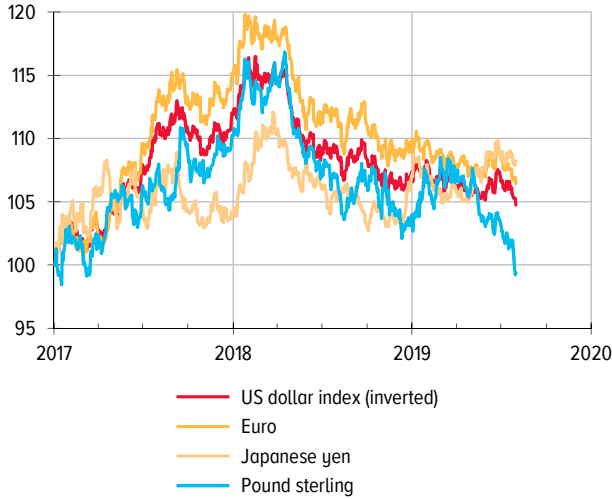
OFZ. Russia's Ministry of Finance maintained a relatively low supply of federal government bonds (OFZ) in the sovereign bond market, holding only limited auctions. Given the excessive offering in 2019 H1, the Ministry of Finance might prefer to wait until yields go down as the Bank of Russia eases its monetary policy. Amid a low supply, foreign investors reduced OFZ purchases to ₺36 billion (vs ₺89 billion in June). As a result, yields on long-term issues remained almost unchanged, while yields on short-term bonds dropped on the back of the expectations of further monetary policy easing (Chart 8).

Stocks. Russian stock indices continued rising at the beginning of July, but adjusted downwards by the end of the month. Having hit a new high (2,848.4 points), the MOEX index dropped by 1.0% by the end of July as compared to June (Table 4). The quotes were mainly driven by oil prices influencing the value of oil and gas companies' shares. In addition, dividend payments had a downward pressure on prices for certain securities.

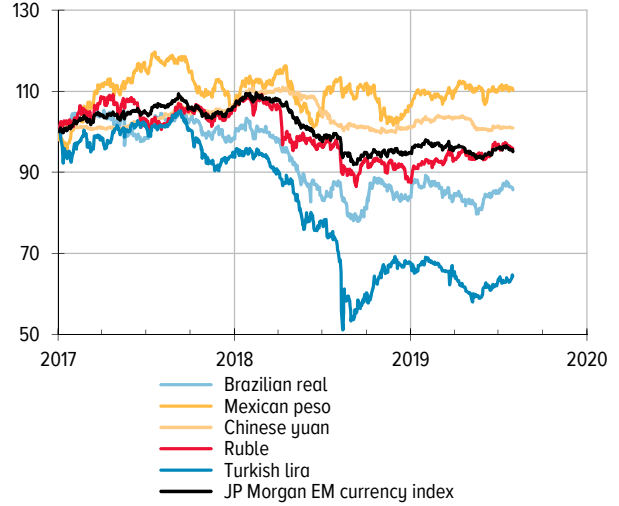
THE DECLINE OF THE RUBLE EXCHANGE RATE AT THE END OF THE MONTH WAS PRIMARILY CAUSED BY THE DEPRECIATION OF EM CURRENCIES
(03.01.2017 = 100)

Chart 6

ADVANCED ECONOMY EXCHANGE RATES



EMERGING ECONOMY EXCHANGE RATES

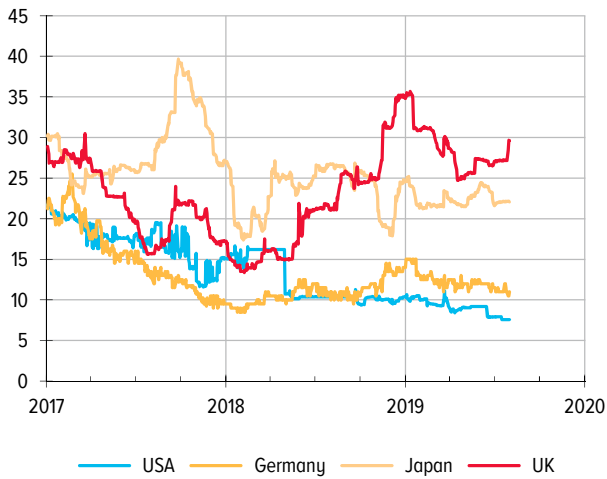


* Against the US dollar. Inverted exchange rate.
Sources: Bloomberg, Bank of Russia calculations.

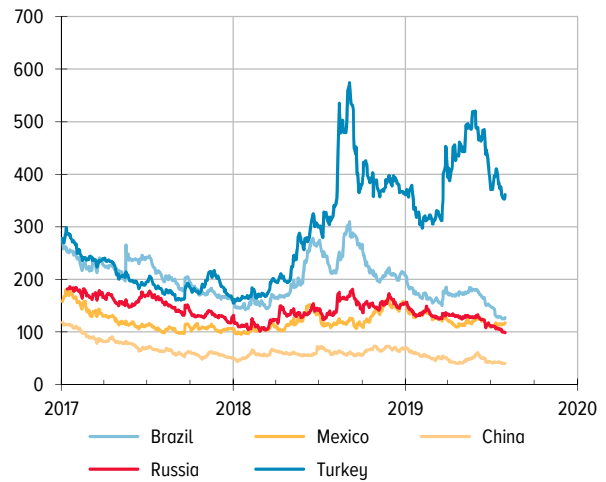
RUSSIA'S CDS SPREAD DECLINED TO THE MINIMUM SET IN AUGUST 2008 (BP)

Chart 7

CDS OF ADVANCED ECONOMIES



CDS OF EMERGING ECONOMIES

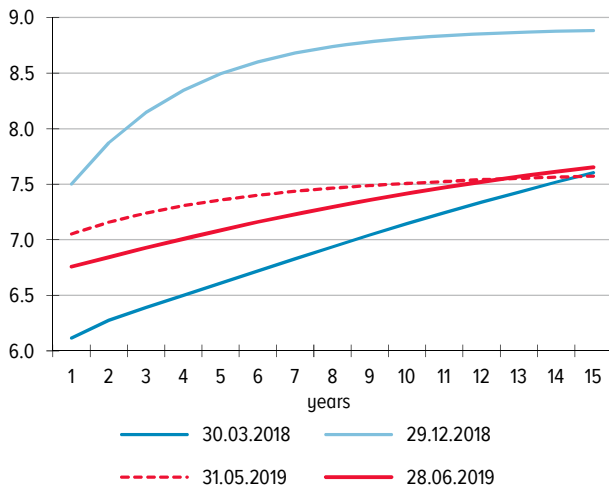


Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

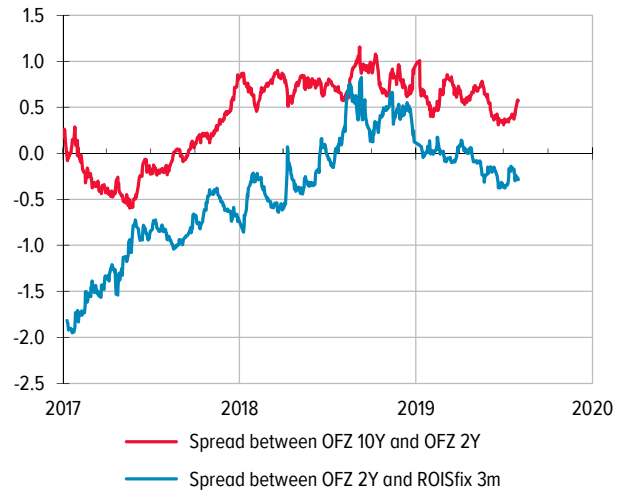
THE OFZ YIELD CURVE DECLINED BY 30 BP ON THE BACK OF THE EXPECTED MONETARY POLICY EASING

Chart 8

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



SPREADS (BP)

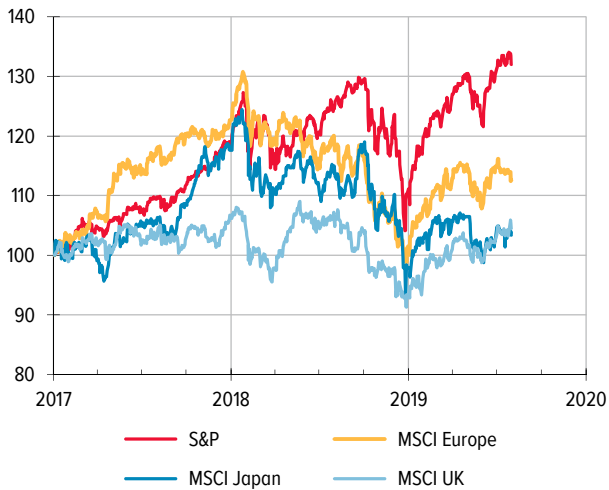


Source: PJSC Moscow Exchange.

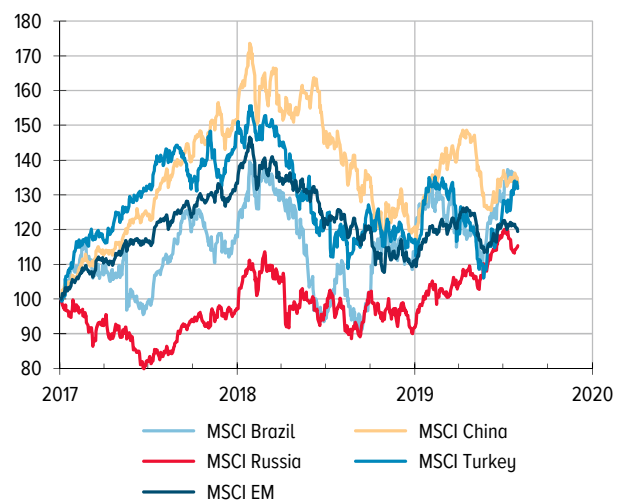
THE RUSSIAN STOCK INDICES ADJUSTED DOWNWARDS DRIVEN BY THE SITUATION IN THE OIL MARKET AND DIVIDEND PAYMENTS (03.01.2017 = 100)

Chart 9

ADVANCED ECONOMY STOCK INDICES



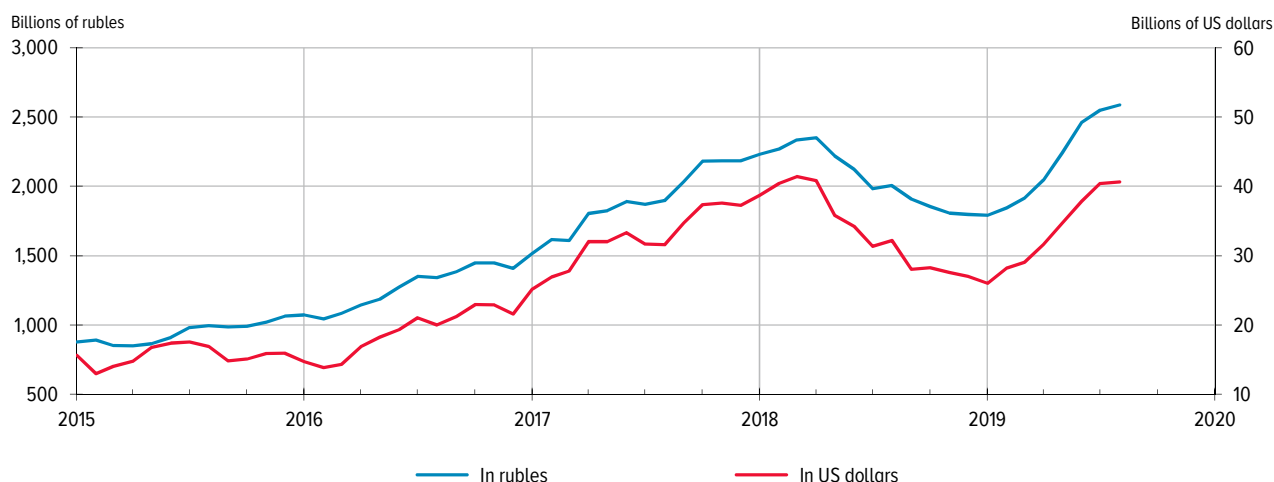
EMERGING ECONOMY STOCK INDICES



Sources: Bloomberg, Bank of Russia calculations.

THE GROWTH OF NON-RESIDENTS' INVESTMENTS IN IFZ SLOWED DOWN IN JULY

Chart 10



Source: Bank of Russia calculations.

THE RUSSIAN FINANCIAL MARKET REMAINED STABLE DESPITE LOWER PRICES
IN SOME SEGMENTS

Table 4

Indicator		31.07.2019	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		63.66	-0.6	1.9	2.7	9.3	-2.2
MOEX Index		2740	-1.0	7.0	9.1	16.2	19.3
RTS index		1360	-1.5	8.9	13.4	27.6	17.0
Government bond yield		6.99	-26.0	-99.0	-115.0	-142.0	-60.0
Corporate bond yield		7.90	-15.0	-75.0	-96.0	-125.0	8.0
Regional bond yield		7.80	-35.0	-80.0	-77.0	-93.0	18.0
CDS spread		99	-14.7	-26.1	-35.3	-55.0	-34.3
RVI		21	-0.5	2.1	-0.8	-5.6	-2.7
Exchange rates (per US dollar, per cent change, '+' - appreciation, '-' - depreciation)							
AEs*	US dollar index	98.52	2.5	0.8	3.3	2.2	4.4
	Euro	1.11	-2.6	-1.1	-3.5	-3.2	-5.4
	Japanese yen	108.78	-0.8	2.4	0.2	1.4	2.1
	Pound sterling	1.22	-4.2	-6.8	-7.3	-4.3	-7.4
EMEs	JP Morgan EM currency index	62.38	-0.8	0.1	-2.7	0.2	-4.5
	Ruble	63.66	-0.6	1.9	2.7	9.3	-2.2
	Brazilian real	3.81	1.0	2.9	-3.3	1.9	-2.1
	Mexican peso	19.15	0.4	-0.7	0.0	2.7	-3.1
	Chinese yuan	6.88	-0.3	-2.2	-2.4	-0.1	-1.0
	Turkish lira	5.58	3.7	6.8	-6.3	-5.6	-12.6
South African rand	14.34	-1.8	0.8	-7.1	0.6	-8.3	
10-year bond yield (% p.a., change in bp, '+' - growth, '-' - decline)							
AEs	USA	2.02	1	-49	-66	-71	-96
	Eurozone	-0.44	-11	-45	-63	-68	-89
	Japan	-0.16	1	-11	-16	-15	-26
	UK	0.61	-22	-54	-64	-66	-73
EMEs	Russia	7.30	-12	-83	-105	-140	-44
	Brazil	7.23	-22	-175	-181	-201	-383
	Mexico	7.50	-7	-59	-96	-119	-25
	China	3.16	-8	-24	3	-15	-36
	Turkey	15.01	-121	-435	51	-107	-313
South Africa	8.96	13	-16	-28	25	25	

CDS spreads (% p.a., change in bp, '↑' - growth, '↓' - decline)							
AEs	USA	8	0	-1	-2	-3	-3
	Eurozone	11	-1	-1	-2	-3	1
	Japan	22	0	1	0	-3	-5
	UK	30	3	5	-1	-5	8
EMEs	Russia	99	-15	-26	-35	-55	-34
	Brazil	127	-23	-46	-43	-84	-85
	Mexico	117	5	4	-17	-39	4
	China	40	-3	-1	-18	-27	-17
	Turkey	361	-36	-82	39	-2	42
	South Africa	174	6	-13	-16	-49	-8
Stock indices (points, per cent change, '↑' - growth, '↓' - decline)							
AEs	S&P	2,980	1.3	1.9	11.2	19.9	6.3
	MSCI Europe	1,649	-2.0	-2.3	4.8	11.4	-6.1
	MSCI Japan	945	0.9	-2.9	1.3	5.6	-9.8
	MSCI UK	2,182	2.0	2.7	8.8	12.0	-1.9
EMEs	MSCI EM	1,037	-1.7	-4.0	0.0	7.7	-4.9
	MSCI Russia	717	-2.0	8.3	11.7	26.2	16.4
	MSCI Brazil	2,273	2.4	9.5	2.0	16.7	21.0
	MSCI Mexico	4,436	-4.0	-9.6	-6.8	0.8	-20.8
	MSCI China	79	-0.7	-8.5	0.7	11.3	-7.7
	MSCI Turkey	1,409,268	7.1	9.3	-2.2	13.5	9.8
	MCSI South Africa	1,381	-2.3	-5.3	2.5	5.7	-3.1

* Advanced economies.

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

Credit and deposit market

Deposit rates. The key rate decreased this June and yields on OFZ preserved the downward trend. That enabled banks to continue adjusting their retail deposit rates downwards (Chart 11). Although the preliminary data suggest that June saw a reduction mainly in long-term rates, 2019 Q2 in general can be considered a period when banks fully switched to lower deposit rates. During that time, banks reduced the funding costs of retail ruble deposits by an average of 0.4 pp. Interest rates on deposits with a 1-year and longer maturity dropped comparably.

The downward trend of dollar deposit rates continued in Q2. According to the preliminary data, by the end of June they fell below the mid-2018 level both for short- and long-term products, which reflected banks' tepid interest in raising foreign currency funds from retail customers.

The BoR key rate decrease in July and the strengthened market expectations of further monetary policy easing are paving the way for a gradual reduction in interest rates on household ruble deposits in the next few months. Downward revisions in the short run of expected interest rate changes in the USA may cause a slight additional adjustment in dollar deposit rates downwards.

Deposit operations. In June, retail customers continued to increase their bank deposits: the annual growth rate of retail deposits rose to 7.3% (vs 7.0% a month earlier)¹. Ruble deposits maintain their upward trend remaining the key product for creating household savings (including, among others, owing to sustainably positive real interest rates on ruble deposits on the back of a slowing inflation). In addition, retail depositors remain interested in foreign currency savings. Their contribution to the growth of the overall deposit portfolio increased for 10

consecutive months (Chart 12). However, the share of foreign currency retail deposits remains moderate owing to the steady growth of ruble savings: as of the end of June, foreign currency savings accounted for 20.9% of household deposits, which is slightly below the 2018–2019 average.

The maturity structure of retail deposits changed during the last month. Both the foreign currency and ruble segments of the retail deposit market recorded an outrunning growth of account balances. Deposits maturing in more than 1 year increased by 8.7% YoY vs 6.2% for deposits with a shorter maturity. By comparison, a month earlier short-term deposits had been growing faster than long-term ones (by 7.9% and 5.7% YoY respectively). This could be driven by a lower uncertainty of credit institutions' and depositors' expectations regarding the future market situation and their readiness to more actively conduct longer-term transactions.

If inflation continues to go down, inflation expectations approach the actual inflation rate and, accordingly, actual deposit rates remain attractive in the short run, we can expect preservation or a slight acceleration of the deposit portfolio growth accompanied by a gradual increase in the deposit maturity.

Credit rates. The decrease in interest rates on ruble-denominated corporate loans that had emerged in April remained unsteady and non-uniform. Interest rates on short-term loans continued to drop in May. The April decrease in interest rates on long-term loans was fully offset by their rise in May. The drop of interest rates in June was more sustainable. Interest rates on ruble-denominated mortgage loans reduced by almost 0.3 pp. According to the preliminary data, interest rates on long-term car loans continued to slowly fall. Having reached its local maximum in May (including, among other things, due to the temporary decrease in the mortgage loan share in the market turnover), the market average interest rate on long-term household loans considerably dropped, which is evidenced by the preliminary data (Chart 11).

In the short run, loan interest rates can potentially continue to fall owing to cheaper bank funding. Some banks consider that the expected easing of lending conditions by the

¹ Hereinafter, increases in banks' balance sheet indicators are calculated based on reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. To analyse flows of funds between banks and their customers, the growth of the foreign currency component is converted into rubles using the period average exchange rate where increases in balance sheet indicators comprising foreign currency and ruble components are calculated herein.

end of 2019 is connected with the possibility of further decrease in loan interest rates (Chart 15).

Corporate lending. In June, the quality of the corporate loan portfolio remained at the level established at the beginning of the year. The share of overdue debt in disbursed loans slightly reduced (Chart 13). The loan portfolio quality stabilised, enabling banks to diversify the areas of lending and make funds more affordable for borrowers. Corporate lending conditions eased in Q2 (Chart 15). That was primarily driven by the decrease in loan interest rates. Moreover, some non-price terms in corporate lending also eased. This contributed to the gradual rise in corporate loans.

The June growth in the corporate lending segment was moderate. The annual growth rate of loans granted to non-financial organisations came in at 6.4% as of the end of the month, having reached another local maximum (Chart 13). The trends in the structure of the corporate loan portfolio that had emerged in the previous months remained. Namely, borrowers continued to replace foreign currency loans with ruble denominated loans and short-term ones with longer-term loans. However, in June these processes became less intensive (in particular, the annual growth rate of the ruble loan portfolio fell from 11.8% at the beginning of June to 11.6% by the end of the month, and the annual reduction rate of the foreign currency loan portfolio – from 7.4% to 6.5%).

The growth of corporate lending that had been observed in the market since early 2019 was accompanied by the resurgence in the market segments involving higher risks (construction, real estate transactions). That could be one of the reasons for the absence of a sustainable reduction in interest rates on corporate loans: the recovery of transaction amounts in the market segments with higher interest rates tend to constrain the decrease in market average rates.

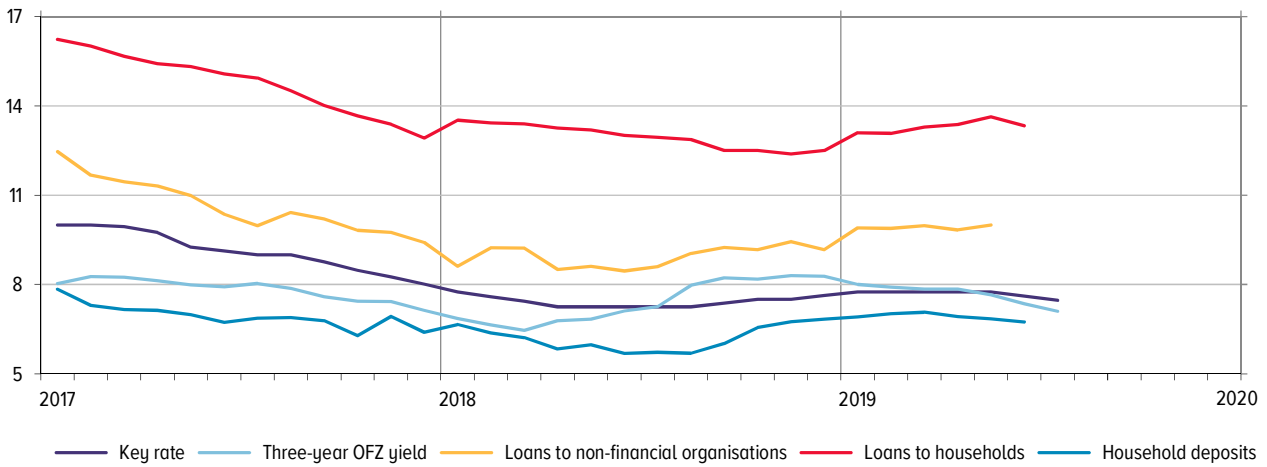
It is possible to expect further growth in corporate lending in the near future. On the one hand, lower loan rates pave the way for a higher demand expected by banks (Chart 15). On the other hand, the stabilised quality of the loan portfolio promotes a gradual increase in banks' supply of loans, including owing to the easing of non-price lending conditions.

Retail lending. The slowdown of the annual growth rate in retail lending that had emerged in May continued into June (Chart 13). In early July, the annual growth rate of the retail loan portfolio came in at 22.8% (vs 23.3% a month earlier). The decline in the retail lending segment was driven by both mortgage and consumer loans (Chart 14). Following a local fall in May, the mortgage lending market showed a slight rebound. The number and total amount of new loans granted in June were more than 10% up against the same readings in May. A longer loan maturity could be a driver for the mortgage market revival (June 2019 saw a new high in mortgage loan maturity – 18 years), which helped reduce average monthly payments on mortgage loans. The monthly growth of the consumer loan portfolio that had slowed down in May maintained the downward trend in June. If the existing trends continue in the near future, the share of mortgage loans in the retail lending market can resume its growth.

According to banks' forecasts, demand for retail loans will continue to rise until the end of the year supported by the ongoing easing of lending conditions (Chart 15). The easing of retail lending conditions will be limited by the expected approval of risk-based buffers for unsecured consumer loans to be established depending on debt burden per borrower. The introduction of these buffers will constrain the excessive increase in consumer lending and promote the growth of mortgage loans in the retail lending market.

ON THE BACK OF THE KEY RATE DECREASE ACCOMPANIED BY LOWER BOND YIELDS, INTEREST RATES ON LOANS AND DEPOSITS MOSTLY DROP

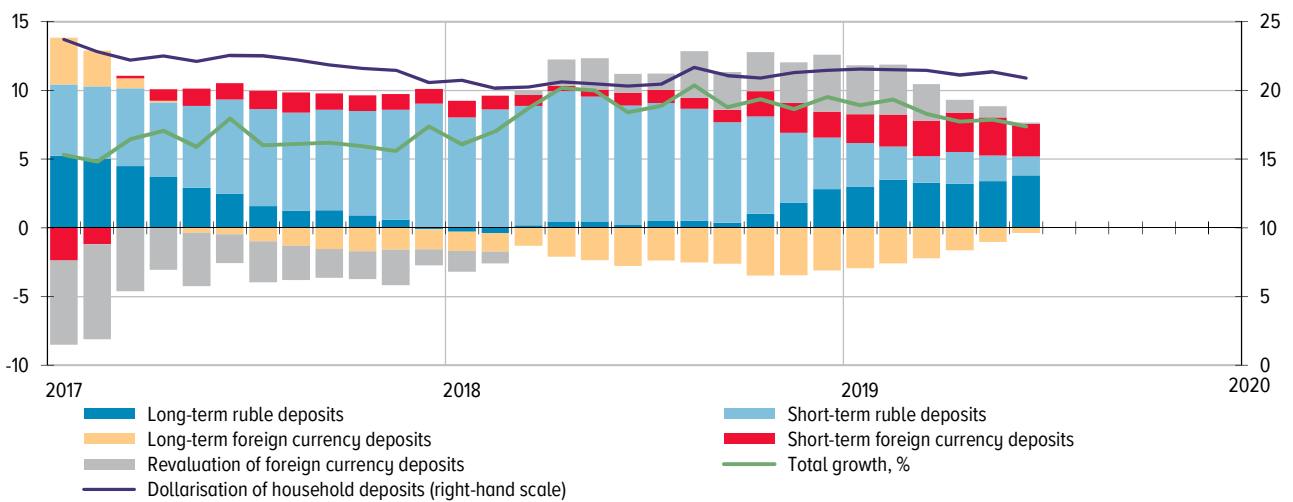
Chart 11



Source: Bank of Russia.

RETAIL CUSTOMERS ARE STILL INTERESTED IN FOREIGN CURRENCY DEPOSITS, YET THE SHARE OF FOREIGN CURRENCY RETAIL DEPOSITS REMAINS MODERATE
CONTRIBUTION OF INDIVIDUAL COMPONENTS TO THE ANNUAL GROWTH OF HOUSEHOLD DEPOSITS (PP)

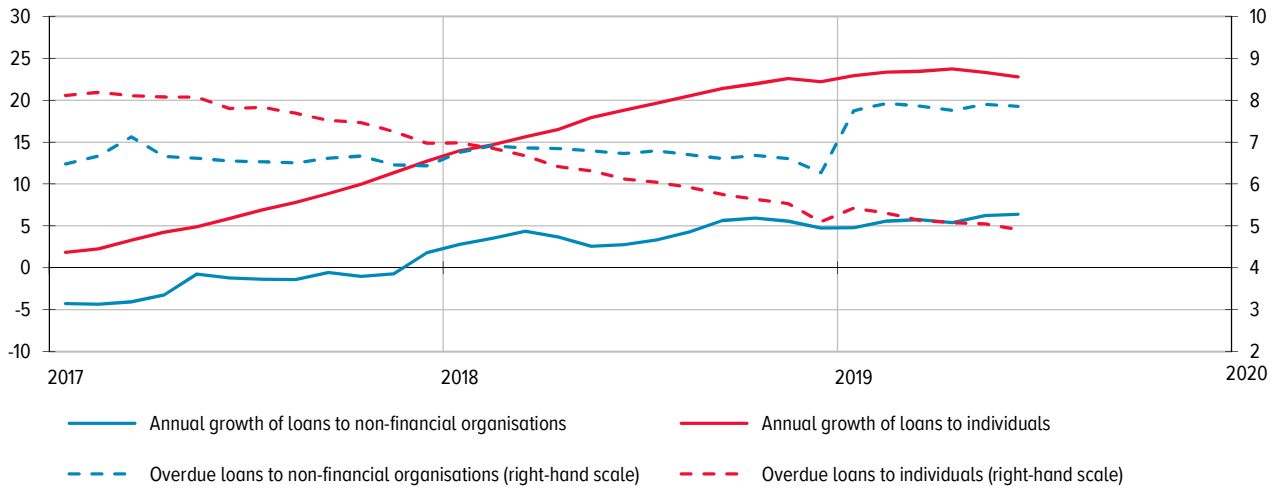
Chart 12



Source: Bank of Russia calculations.

CORPORATE LENDING SHOWS A SLIGHT REBOUND
(PER CENT)

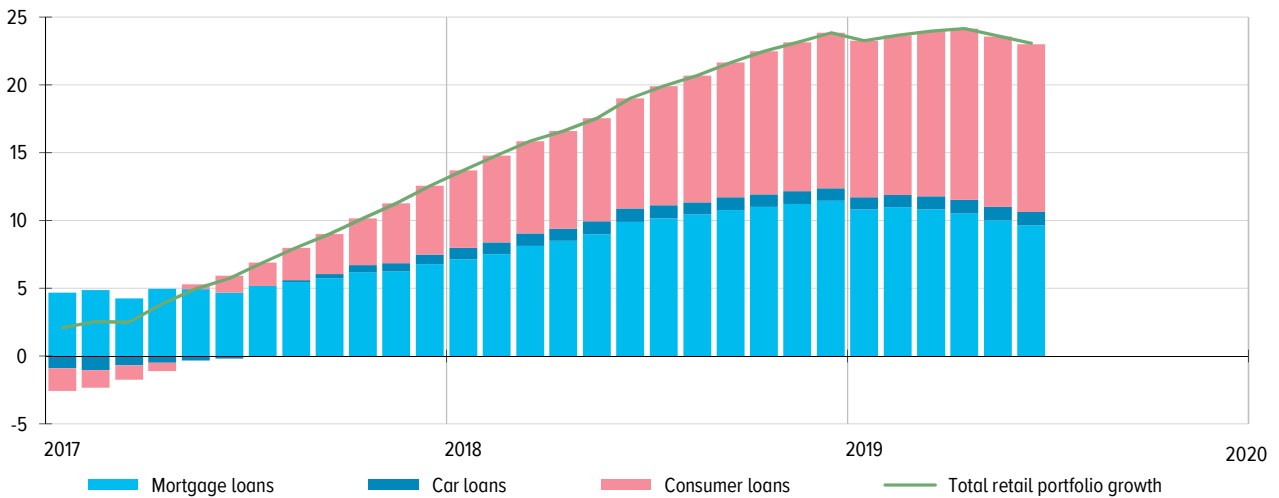
Chart 13



Source: Bank of Russia calculations.

IN MAY–JUNE 2019, THE RETAIL LENDING GROWTH WAS SLOWED DOWN BY BOTH CONSUMER AND MORTGAGE LOANS
CONTRIBUTION OF INDIVIDUAL COMPONENTS TO THE ANNUAL GROWTH OF THE RETAIL LOAN PORTFOLIO* (PP)

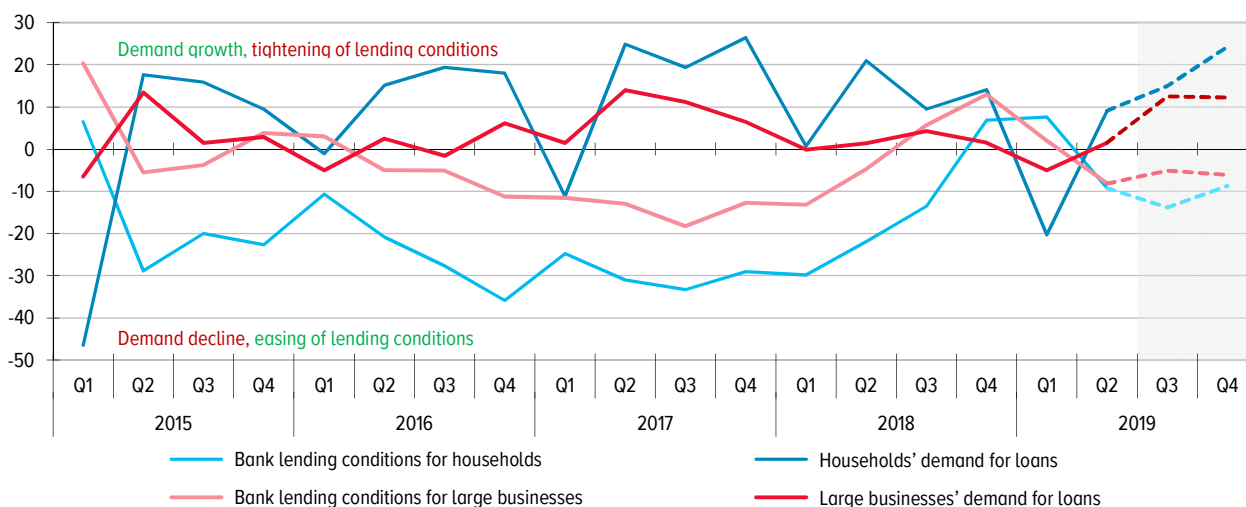
Chart 14



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

IN THE SHORT RUN, RUSSIAN BANKS ARE GOING TO EASE LENDING CONDITIONS AND EXPECT
A HIGHER DEMAND FOR LOANS
INDICES OF LENDING CONDITIONS AND DEMAND FOR LOANS (PP)

Chart 15



Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		March 2019	April 2019	May 2019	June 2019
Rates on banks' long-term ruble transactions					
– household deposits	% p.a.	7.1	6.9	6.9	-
– loans to households	% p.a.	13.3	13.4	13.6	-
– corporate loans	% p.a.	10.0	9.8	10.0	-
Household deposits	% YoY, AFCR	5.6	6.8	7.0	7.3
– in rubles	% YoY	6.6	7.0	6.7	6.6
– in foreign currency	% YoY	1.6	5.8	8.1	9.9
– dollarisation	%	21.5	21.1	21.3	20.9
Loans to non-financial organisations	% YoY, AFCR	5.7	5.4	6.2	6.4
– short-term (up to 1 year)	% YoY, AFCR	2.7	-1.0	1.3	4.7
– long-term (more than 1 year)	% YoY, AFCR	5.2	5.8	5.9	5.4
– overdue loans	%	7.9	7.8	7.9	7.9
Loans to households	% YoY, AFCR	23.5	23.8	23.3	22.8
– housing mortgage loans	% YoY, AFCR	24.2	23.5	22.6	21.6
– unsecured consumer loans	% YoY	24.2	25.2	24.9	24.6
– overdue loans	%	5.1	5.1	5.0	4.9

Note: YoY – year-over-year; AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for FX revaluation.

Source: Bank of Russia calculations.

Cut-off dates:

- 'Banking sector liquidity and money market' section – 06.08.2019 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of the required reserves averaging periods. In July–August 2019, that period is from 10.07.2019 to 06.08.2019)
- 'Foreign exchange and stock market' section – 31.07.2019
- 'Credit and deposit market' section – 01.07.2019.

A soft copy of the 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 was prepared by the Monetary Policy Department.

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