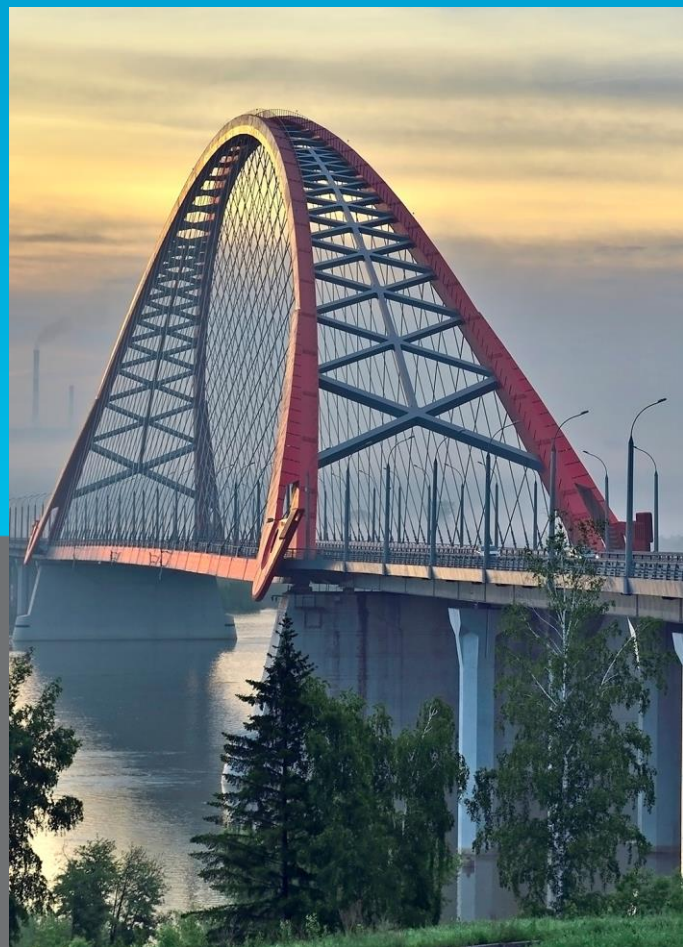




Bank of Russia



REGIONAL ECONOMY

COMMENTARIES BY BANK OF RUSSIA MAIN
BRANCHES

No. 7 September 2021

2 September 2021

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

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39
mln
people

MB for Central FD

- Belgorod Region
- Bryansk Region
- Vladimir Region
- Voronezh Region
- Ivanovo Region
- Kaluga Region
- Kostroma Region
- Kursk Region
- Lipetsk Region
- Moscow Region
- Orel Region
- Ryazan Region
- Smolensk Region
- Tambov Region
- Tver Region
- Tula Region
- Yaroslavl Region
- Moscow

14
mln
people

North-Western MB

- Republic of Karelia
- Republic of Komi
- Arkhangelsk Region
- Vologda Region
- Kaliningrad Region
- Leningrad Region
- Murmansk Region
- Novgorod Region
- Pskov Region
- Saint Petersburg
- Nenets Autonomous Area

19
mln
people

Siberian MB

- Altai Republic
- Republic of Tyva
- Republic of Khakassia
- Altai Territory
- Krasnoyarsk Territory
- Irkutsk Region
- Kemerovo Region
- Novosibirsk Region
- Omsk Region
- Tomsk Region
- Republic of Buryatia
- Zabaikalye Territory



26
mln
people

Southern MB

- Republic of Adygea
- Republic of Kalmykia
- Republic of Crimea
- Krasnodar Territory
- Astrakhan Region
- Volgograd Region
- Rostov Region
- Sevastopol
- Republic of Dagestan
- Republic of Ingushetia
- Kabardino-Balkar Republic
- Karachay-Cherkess Republic
- Republic of North Ossetia–Alania
- Chechen Republic
- Stavropol Territory

21
mln
people

Volga-Vyatka MB

- Mari El Republic
- Republic of Mordovia
- Republic of Tatarstan
- Udmurt Republic
- Chuvash Republic
- Kirov Region
- Nizhny Novgorod Region
- Penza Region
- Samara Region
- Saratov Region
- Ulyanovsk Region

6
mln
people

Far Eastern MB

- Republic of Sakha (Yakutia)
- Kamchatka Territory
- Primorye Territory
- Khabarovsk Territory
- Amur Region
- Magadan Region
- Sakhalin Region
- Jewish Autonomous Region
- Chukotka Autonomous Area

21
mln
people

Ural MB

- Republic of Bashkortostan
- Perm Territory
- Kurgan Region
- Orenburg Region
- Sverdlovsk Region
- Tyumen Region
- Chelyabinsk Region
- Khanty-Mansi Autonomous Area
- Yamalo-Nenets Autonomous Area

CONTENTS

Russian Federation.....	6
Key trends in Russian regions	7
Core economic indicators.....	8
Inflation in Russian regions	9
Bank of Russia Main Branch for the Central Federal District	10
Bank of Russia North-Western Main Branch.....	12
Bank of Russia Volga-Vyatka Main Branch.....	14
Bank of Russia Southern Main Branch	16
Bank of Russia Ural Main Branch	18
Bank of Russia Siberian Main Branch.....	20
Bank of Russia Far Eastern Main Branch	22
Box 1. Businesses' price expectations.....	24
Box 2. Monetary conditions and credit and deposit market in April– July 2021.....	29
Annex. Core economic indicators	35



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 supplement 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 over 13,000 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 supplemented with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT

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

¹ In August 2021, we surveyed 13,607 companies.

RUSSIAN FEDERATION

In July–August 2021, economic activity continued to grow with businesses gradually adjusting to the expanding demand. Investment-purpose output kept rising. Consumer activity rose amid increasing wages and elevated inflation expectations. Monetary conditions have tightened. Businesses' price expectations remained elevated. Growth of consumer prices for non-food goods kept accelerating.

In July–August 2021, **economic activity continuously grew, businesses got adjusted to the rising domestic and foreign demand and built up their output.**

The North-Western Federal District witnessed a rise in the production of cars both for domestic consumption and exports. Companies in the Volga and Ural Federal Districts increased output of special transport vehicles and trucks following a higher investment demand. There was continuous development of tourism infrastructure in the Southern Federal District. The Far Eastern Federal District saw the streamlining of logistics and exploration of new exports areas on the back of larger fish catches. Siberia increased the production targets due to higher demand for coal in Asia and resuming sizable exports to Europe. Central Russia, South and Siberia continue to be positive in their estimation of future crops. Favourable price environment made it possible to implement some agricultural investment projects: new livestock and crop production facilities were commissioned in Central Russia; Siberia witnessed higher demand for loans for purchasing new agricultural machinery; new vegetable and grain production technologies were implemented in the South.

Some manufacturers mentioned that their operations were significantly impacted by disruptions in foreign components supplies. There was **continuous staff shortage prompting a faster rise in wages** in certain sectors.

Elevated inflation expectations of households and growing real wages boosted consumer activity especially in durable goods markets. Services businesses offered new services and formats in response to the intensified tourist flow. Retail trade responded to new consumer demands and built up on-line sales and deliveries. In some regions the anti-pandemic measures resulted in a lower business activity in retail trade and services and redistribution of the tourist flow among regions in the South of Russia. Nearly all regions witnessed a declining demand for mortgage loans as a result of changes in the conditions of government subsidised mortgage programme (see the Box 'Monetary conditions and credit and deposit market in April–July 2021').

Annual inflation fell to 6.5 % in July 2021. The main restraining influence was exerted by volatile components – fruit and vegetable products and foreign tourism. **Growth of non-food goods prices kept on accelerating** as the higher demand of households for cars, domestic appliances, construction materials, and furniture helped manufacturers pass through their costs to prices. **Businesses' price expectations were elevated.** Notably, businesses' decisions to change their prices were largely conditioned on the current environment and anticipated demand for their products (see the Box 'Businesses' price expectations').

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

The recovery of consumer demand resumed following the cancellation of anti-pandemic restrictions in Moscow. Consumption is supported by rising remuneration and consumer lending. Businesses' price expectations reduced for the first time since December 2020. Supply shortage decreased in the house construction. At the same time, demand for housing rent increased fuelled by higher activities in the labour market and return of labour migrants.

NORTH-WESTERN MAIN BRANCH

Retailers had more positive demand expectations. Tourist activities remained high. Manufacturers of paper and paper products diversified their product lines to align them with the changed demand structure. Ship builders expanded their output. Corporate lending grew faster than across Russia, on the whole.

VOLGA-VYATKA MAIN BRANCH

Consumer demand for cars and furniture remain elevated. Implementation of infrastructural projects boosted demand for trucks and commercial vehicles, however, disruptions in supplies of electronic components hindered output in the car industry. Stronger tourist flow was driven by the regional events and programmes, as well as a higher demand for river cruises.

SOUTHERN MAIN BRANCH

The economic recovery was fuelled by an elevated demand in the tourism sector and a rise in the agricultural output. The shift in the period for market saturation with the new crops slowed down inflation. Demand for real estate stabilised and moderated the price growth. Car sales were refocusing on cheaper segments. Businesses' price expectations stayed elevated with an intensifying lending activity.

URAL MAIN BRANCH

Investment demand enabled machine builders to expand their output. High costs made them focus on the domestic suppliers of components. Retailers had to employ increasingly more deliverers and order pickers in order to handle their on-line sales. Increase in the price expectations of agricultural companies was prompted by the worse harvest forecast because of the drought.

SIBERIAN MAIN BRANCH

Coal miners actively expanded their production benefiting from the favourable price environment. Demand and prices for Siberian industrial products stayed at multi-year highs. Metal makers expanded their lines of value-added products and reduced metal prices for national projects. Livestock producers were looking for new sales markets and partially changed focus of their production from end-product to raising and selling young breeder.

FAR EASTERN MAIN BRANCH

Services businesses improved their estimations of demand and sales owing to stronger tourist flow. Shipping lead times became twice longer due to the shortage of containers and port congestions, however, the freighters expect the situation to stabilise. Successful salmon output made it possible to explore new areas of fish exports and streamline supply chains. Producers do not plan to cut their prices due to increase in costs.

CORE ECONOMIC INDICATORS

		Date	RF	CFD	North - West- ern MB	Volga - Vyatk a MB	South ern MB	Ural MB	Sibe- rian MB	Far East- ern MB
MBs' percentage in inflation	%	2021	100	34	11	12	14	13	11	5
Inflation	% YoY	Jul21	6.5	6.3	6.3	6.7	7.1	6.1	7.0	5.7
Core inflation	% YoY	Jul21	6.8	6.8	6.6	7.5	6.8	6.5	7.0	5.3
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.										
Industrial production	3MMA, % YoY	Jul21	2.2	26.8	0.0	2.6	3.8	4.9	-3.7	-1.0
Fixed capital investment	Cumulative, % YoY	2021 Q1	5.6	12.5	-9.4	9.3	17.5	-0.8	11.1	-15.3
Construction	3MMA, % YoY	Jun21	6.4	7.2	-9.1	5.3	-2.3	-0.7	9.8	-24.9
Housing commissioning	3MMA, % YoY	Jul21	13.2	8.1	42.7	0.3	24.0	27.5	-6.0	25.6
Retail	3MMA, % YoY	Jun21	4.9	8.6	11.2	2.6	7.0	2.2	3.0	6.9
Commercial services	3MMA, % YoY	Jun21	-1.2	1.4	-1.3	-3.0	6.3	-3.5	-3.0	-17.3
Real wages	3MMA, % YoY	May21	5.9	8.0	4.8	4.8	4.4	3.1	4.1	5.2
Real disposable income	% YoY	2021 Q1	-0.7	0.2	0.2	-3.3	-3.7	-3.8	-3.7	-0.7
Outstanding consumer loans ²	% YoY	Jul21	16.4	15.0	15.9	16.8	16.6	16.3	18.8	17.9
Outstanding mortgage loans	% YoY	Jul21	28.7	31.9	28.2	26.0	32.2	24.0	26.2	30.8
Non-financial organisations' outstanding bank loans	% YoY	Jun21	10.4	10.0	14.2	6.6	10.7	10.4	-3.1	38.2
• Large borrowers	% YoY	Jun21	6.7	6.9	3.0	2.1	9.5	7.7	-9.3	42.9
• SMEs	% YoY	Jun21	32.1	33.6	70.9	21.5	14.2	29.7	25.7	22.6
Companies' price expectations ³	Balance of responses, SA	Aug21	25.9	29.8	25.2	30.9	21.4	30.1	28.8	18.3
Business Climate Index	pp YoY	Jul21	2.4	1.7	4.3	1.3	3.0	3.3	2.0	2.6
• Current estimates	pp YoY	Jul21	2.7	1.7	3.7	2.8	2.9	3.1	1.5	6.1
• Expectations	pp YoY	Jul21	2.1	1.8	4.9	-0.3	3.1	3.5	2.6	-1.1

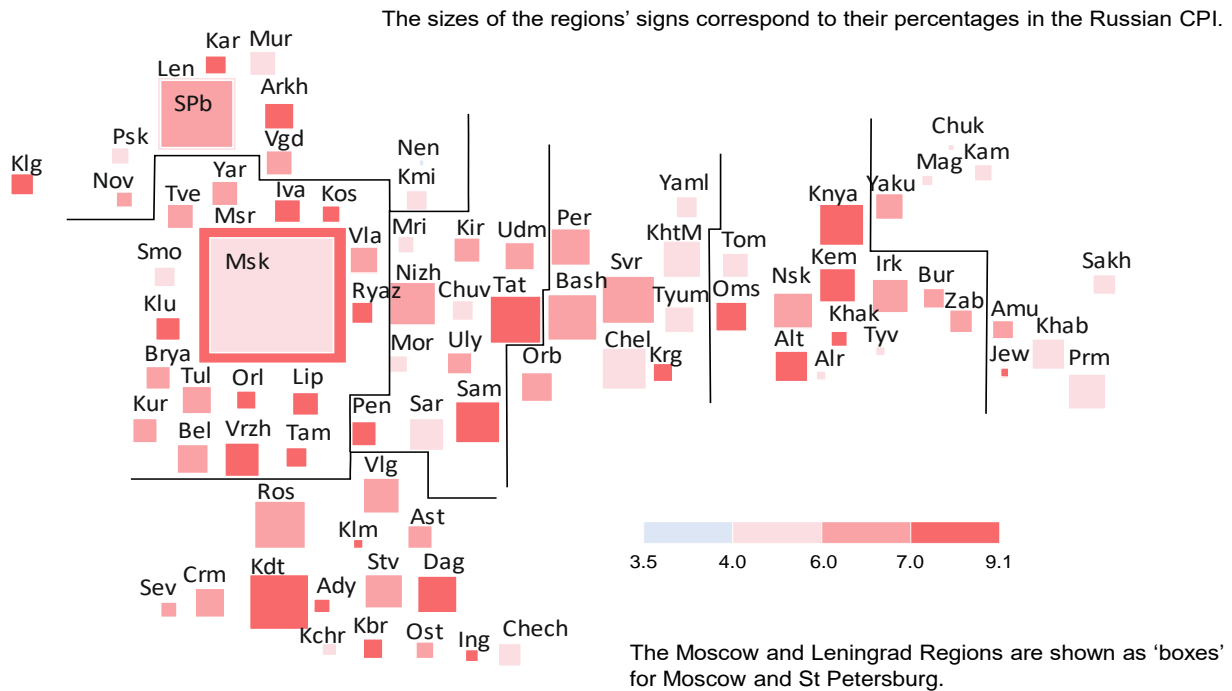
Sources: Bank of Russia's monitoring of enterprises, Rosstat, calculations by the Bank of Russia Main Branches.

²Hereinafter, 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.

³The 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 enterprises carried out by the Bank of Russia.

INFLATION IN RUSSIAN REGIONS

Price growth in July 2021, % on the same month last year



Note: the lines on the map divide the regions of operation of the Bank of Russia MBs.
Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In July–August, recovery of consumer activity resumed in Central Russia after the relaxation of anti-pandemic restrictions. Consumer demand is supported by growing wages. Businesses' price expectations declined for the first time since December 2020. Inflation slowed down in July. Demand for mortgage loans greatly shrank after the conditions of subsidised mortgage lending toughened.

CONSUMPTION AND INCOMES

Recovery of consumer activity resumed in July–August after the weakening demand in June caused by introduction of the anti-pandemic measures. Food courts, cafés, restaurants resumed their full-scale operation, shopping mall traffic recovered after the cancellation of restrictions in Moscow.

To keep up sales volumes, retailers are getting adjusted to new consumer preferences, e.g. they expanded their out-of-town delivery area for on-line orders. Demand for tours to cities of the renewed Big Golden Ring of Russia went up by 10–20% as compared to the pre-pandemic level.

Consumer activity is driven by positive developments in remunerations and consumer lending, and one-off payments for children. In July, nearly 65% of the regional companies covered by Bank of Russia surveys noted a growth in wages in annualised terms.

Retailers' positive expectations for near-term demand somewhat weakened, however, their 12-month ahead projections appear stronger.

PRICES

Seasonally adjusted inflation in the macro-region slowed down in July vs June. This was prompted by a broader supply of fruit and vegetable products of new harvest and a lower demand for foreign travels. Seasonally adjusted

inflation in Central Russia was higher than generally across the country. It is expected to grow further in August.

Price expectations of companies covered by the Bank of Russia's monitoring declined for the first time since December 2020. In July and August, dynamics of price expectations changed amid slower growing costs and stabilising prices for some commodities in global markets. Besides, some businesses stated that the earlier expected increase in prices had already occurred.

MONETARY CONDITIONS AND BANKING SECTOR

In July, interest rates for retail loans went up and corporate lending conditions deteriorated, according to businesses. However, deposit rates increased thereby slowing down the outflow of funds from retail deposits.

In July, the conditions of subsidised mortgage lending programme changed and, as a result, the total disbursements of such loans reduced (by more than 3.5 times in the macro-region). According to real estate agencies, the mortgage demand in the Moscow metropolitan area dropped by 15–60% in July. At the same time, the mortgage market will continue to be supported by the government subsidised Family Mortgage programme which was extended until end-2023 in August. Experts estimate that more than 60% of the mass segment new build in Moscow is eligible for this programme.

HOUSING MARKET

Supply shortage is gradually declining in the metropolitan market. New dwellings are expected to be commissioned in autumn. Housing prices continue to grow in Moscow and the Moscow Region despite step-by-step recovering supply and shrinking demand. The main reason is rising construction costs, according to developers. Moreover, the demand is expected to recover in autumn prompting a new round of price increase. Demand for housing rent increased dramatically fuelled by higher activities in the labour market and the return of labour migrants. In addition, new future-oriented construction technologies are deployed in the macro-region. For example, cost and time effective construction 3D printing is used in the development of a housing community in the Yaroslavl Region.

AGRICULTURE

Despite unfavourable weather conditions crops of cereals and leguminous plants in the macro-region is better than multi-year averages. Consumption of cereals steadily grows in Central and the entire Russia due to higher consumption of feed grain.

By 2021 year-end, cattle and poultry output is anticipated to grow as the new projects in the Bryansk, Voronezh and Orel Regions reach their production capacities.

Milk output is going up in the macro-region, however, further rise in the production costs tends to result in a lower profitability of the dairy industry. Some farmers switch to cheaper feed compositions and change focus towards related industries.

In the majority of regions in Central Russia, the harvest of potato and field vegetables is expected to be the same or slightly less than in

2020 owing to dry and hot weather. To expand output some regions arrange for the state support to be provided to field vegetables producers. For instance, agricultural companies in the Yaroslavl Region are to receive subsidies after the 2021 harvesting campaign.

The Lipetsk Region – the Russian greenhouse vegetable production leader – is welcoming new state-of-the art greenhouse facilities that are reaching their design capacities.

LABOUR MARKET

In June, demand for labour continued to increase, the unemployment decreased. In July, more companies mentioned staff shortages. Deficit of manpower exerted some pressure on wages. Some industrial unions reported an average 5–6% rise in wages from the beginning of the year. Agriculture, manufacturing industry, transportation and storage witnessed the highest staff shortages. The reason is an insufficient number of labour migrants and their switch to delivery services where there was a rise in wages during the pandemic.

To intensify hiring of migrants, in late June a special vaccination programme was launched in Moscow for vaccinating employees at the request of employers where 60% of staff must be vaccinated. Some regions reported medical staff shortage amid mass vaccination. There was a larger number of medical vacancies in the Voronezh Region.

According to the high profile recruiting platform, the number of available vacancies nearly doubled in Moscow in August 2021 vs August 2020, and was 91%up vs August 2019.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in July–August was rising though still impacted by the anti-pandemic restrictions. Lower demand for mortgage loans did not affect housing construction whose volume continued to grow. Pulp and paper producers expanded output of eco-friendly packaging materials. Corporate lending growth rate was above Russia’s average. Businesses’ seasonally adjusted price expectations raised.

CONSUMPTION AND INCOMES

Retail trade turnover exceeded the pre-pandemic level in the macro-region. However, the June-July tightening of anti-pandemic restrictions in some regions curbed recovery of demand for catering.

Consumer activity continued to be impacted by the domestic tourist flow: the occupancy rate of accommodation facilities in some regions remained high. A local travel agency noted a significant rise in demand for bus tours inside Russia.

Souvenir shops are returning to the main shopping streets of Saint Petersburg after the last year closure. The macro-region sees on-going expansion of retail chains, opening of new cafés and restaurants, development of food truck business. The Saint Petersburg shopping malls noted a significant rise in traffic after reopening of food courts in early August. Farmers in the Leningrad Region are exploring new sales channels: on-line sites of large nationwide marketplaces.

Seasonal growth in demand for school goods and clothes was additionally boosted by one-off payments for school children made in early August.

Retailers’ were more positive in their expectations regarding near-term changes in demand.

PRICES

Annual inflation in the North-West slowed down to 6.3% in July from 6.6% in June. This trend is

largely driven by an increasing supply of the domestic fruit and vegetables of the new harvest and fading elevated demand for some tourism services following the completion of international events hosted in Saint Petersburg.

Businesses price expectations appear uneven, however. They went up in construction, services, and transport segments in August. According to construction companies, this is the result of appreciating prices for fuels and lubricants and input prices for raw materials and components.

In contrast, price expectations of retailers, manufacturers and farmers went down. A wood processing company believes that demand in global market has passed its peak and will have less effect on output prices in the next several months. State regulatory measures will also help stabilise timber price movements.

MONETARY CONDITIONS AND BANKING SECTOR

In July, the annual growth rate of mortgage loans expectedly slowed down with accelerating growth in consumer lending. From the beginning of the year, a large nationwide bank issued 75% more car loans for households in Saint Petersburg and the Leningrad Region than a year earlier.

The lending conditions somewhat toughened, according to businesses. Nevertheless, annual growth rate of corporate lending was higher than the Russian average. In July, a regional

bank made an agreement with a bread and bakery manufacturer for issuing credit lines within the state support programme for agricultural companies.

Regional banks tended to increase their deposit rates.

HOUSING MARKET

Following changes in the conditions of subsidised mortgage lending programme the number of mortgage loan transactions in Saint Petersburg and the Leningrad Region noticeably dropped. A regional bank also highlighted a smaller number of mortgage loan applications. According to Saint Petersburg developers, demand is expected to fall in the next few months. However, it was growing lending that boosted the expansion of construction in the North West in the previous months. As of the end of 2021 H1, the Leningrad Region was one of the country leaders by space of commissioned private houses. Intensification of housing construction in the Kaliningrad Region is largely conditioned on sizable inflow of people from other Russian regions.

MANUFACTURE OF VEHICLES

The North West ship building industry develops sustainably and have a sufficient number of placed orders for the coming years. In late June, a new diesel and electric submarine started sea trials in a regional ship building facility. Besides, nuclear submarine fleet projects are actively implemented in another region.

Car production continues to recover in the macro-region. The number of cars manufactured in Saint Petersburg was up by more than one third vs 2020 H1. This allowed to increase exports, predominantly to the CIS countries.

A regional enterprise launched production of some vehicle components that are in great demand by the largest car factories in Russia and the CIS. An electric vehicle plant completed assembly of a new-generation low floor single unit tram.

MANUFACTURE OF PAPER AND PAPER PRODUCTS

Manufacture of paper and paper products was growing in the macro-region. To meet the changing structure of demand, the companies diversified their production. For example, falling demand for newspapers made one of the manufacturers build up the production of packaging paper.

High demand for corrugated fibreboard used in making packages for on-line orders that became popular amid the pandemic, made it possible to expand the production capacities of the largest regional manufacturers.

By operating sophisticated production facilities a regional manufacturer was able to promptly adjust to the growing demand for eco-friendly packages and expand production thereof.

A Saint Petersburg-based company launched production of 'green' recyclable plastic-free paper cups for take-away drinks.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



In July–August, the growth rate of economic activity in the Volgo-Vyatka macro-region went down amid slowing down growth in the domestic demand. One-off factors, including problems with supplies in the car industry, produced an additional negative effect on the manufacturing industry. Businesses' projections for demand and output in the next few months were lower than in 2021 Q2. Companies' price expectations remained elevated with ongoing cost pressure.

CONSUMPTION AND INCOMES

In 2021 Q2, the Volga-Vyatka retail sales grew more actively than the country average. At the same time, goods consumption growth slowed down as compared to the previous quarter. Findings of the surveys of retailers also confirm the July decline in current demand and goods sales. According to respondents, consumer demand for non-food goods is gradually stabilising, however, will remain elevated for some time. For instance, a regional furniture factory reports a sizable amount of orders and anticipates no drop therein before year-end. Car dealers also noted a sustainably strong households' demand.

In July, services consumption stagnated due to deterioration in the epidemic situation. In some regions, the imposed restrictions affected the earnings of food and drink venues located in shopping malls whose traffic has not recovered yet.

PRICES

Seasonally adjusted inflation in July was the lowest from the last January, however, the deceleration was less substantial than generally across Russia.

Higher costs remain a significant proinflationary factor: a larger number of Volgo-Vyatka-based companies reported rising expenses over six months. More companies highlighted increase

in wages and higher expenses related to financial services; food producers noted appreciating prices for packaging. At the same time, some companies can not fully pass through their costs to prices anymore. For example, representatives of a regional meat processing plant reported lower profitability against the backdrop of tough competition.

According to businesses, high growth rate of costs and output prices will remain in the coming year. Near-term price expectations in August were below Q2 highs.

MONETARY CONDITIONS AND BANKING SECTOR

In July, growth of the retail loan portfolio decelerated both in consumer and mortgage lending amid rising rates and changes in the subsidised mortgage loan parameters. Surveys of banks and businesses showed tightening of corporate lending conditions. However, 2021 Q2 saw a considerable – above Russian average – increase in outstanding amounts due to accommodation of a few large loans to processing enterprises.

AUTOMOBILE INDUSTRY

In summer, the Volgo-Vyatka automotive industry witnessed diverse trends.

Car segment reported a significant drop in output. Since June, the macro-region's largest auto group suffered from disruptions in electronic

components supplies that resulted in production downtime. In August, the auto group announced a week suspension of the production line in the main plant and car dealers started noticing a deficit of ready products in retail outlets. Manufacturers of investment-purpose vehicles maintained elevated output. The leading truck manufacturer revised upwards its annual business plan again whereby the company is to sell 20% more vehicles than in 2019 due to a rise in domestic demand. According to the company, higher domestic sales are driven by the implementation of infrastructural projects in construction of motor ways and residential real estate. However, the company mentioned a high risk of late supplies of imported components that made it necessary to accumulate extra stocks of such components.

Output of commercial vehicles was supported by the government's demand for refreshing the fleet of vehicles of state healthcare and educational institutions. Vehicles of this type may be purchased only from the Volgo-Vyatka manufacturers due to the manufacturing localisation requirement. One of them reported that although such state order was brought into production in July, the major part of supplies would be received no sooner than in August and September.

FOREIGN TRADE

In 2021 Q2, the Volgo-Vyatka companies considerably expanded their foreign trade thereby bringing exports to the levels exceeding those of the similar period 2019. This was largely driven by the growth in investment goods exports. In particular, since 2020 Q4 there have

been sizable exports of machinery and equipment to Bangladesh: these are planned to be used in the construction of a nuclear power station of the Russian design. Moreover, there was a dramatic increase in such goods exports to Belarus for constructing power unit No. 2 of the nuclear power station scheduled to be put into operation this autumn. Finally, foreign trade was boosted by one-off transactions related to the exports of special purpose vehicles to Africa.

TOURISM

In summer, the Volga-Vyatka benefited from the vigorously rising tourist flow attracted by some regional events and programmes on the back of overseas travels restrictions. So, on the verge of the 800th anniversary of Nizhny Novgorod the occupancy rate of local hotels was close to 100% with the passenger traffic in the local airport exceeding 2019 figures. The tourist flow is expected to be above 2019 level as of the year-end. Weekend package tours in Tatarstan help support popularity of the local sights not only among visitors but also among local residents. Tourist flow to popular destinations raised, e.g. the number of tourists who visited the town-island of Sviyazhsk from May to July rose by nearly one third vs 2019.

River cruises are popular in the macro-region: new routes were opened in the Nizhny Novgorod Region with a larger number of favoured runs due to high demand for boat rides. In Tatarstan, demand for cruises was 25–30% above the 2019 level.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In July–August, the macro-region kept sticking to optimistic near-term output and demand projections. To encourage demand, consumer-oriented businesses diversified their sales channels while travel agents developed their special offers. Monthly growth rate of household lending slowed down on the back of gradually stabilising demand for housing and durable goods. Inflation slightly declined with companies' price expectations getting settled at elevated levels. Government support and special lending programmes spurred the launch of new agricultural projects.

CONSUMPTION AND INCOMES

Despite local anti-pandemic restrictions introduced in the consumer-oriented segment, every fifth company expects an increase in sales of, and demand for, their products in the next three months. According to a representative of the Rostov Region-based car dealer, there is a strong demand despite rising prices, however, consumer preferences are shifting towards cheaper cars.

To ensure better consumer loyalty, retail chains are developing on-line order systems. A large nationwide retailer increased the number of pickup points in neighbourhood stores and hired more deliverers. Thanks to the agreement between the Krasnodar Territory administration and the management of a nationwide delivery service, consumers in four largest regional cities will be able to order food and products from bazaars and fairs with home delivery.

Key drivers of the wage indexation decision-making are changes in demand for products and employees' productivity. Sustainably strong sales enabled a large machine building plant in the Rostov Region to increase wages of its metalworkers and other production workers in August and maintain it at a level above the regional average.

PRICES

Annual inflation in the South slowed down to 7.1% in July from 7.3% in June. This was driven by a broader supply of vegetables as the new crops were better in July than a year ago on the back of shifted harvesting. Also, inflation deceleration was conditioned on a high base effect of recreation services prices: hotels and resorts increased their prices after the last year downtime.

Expanding demand and continuous cost pressure made companies' price expectations set at an elevated level with some acceleration in construction, transportation, and agriculture.

Businesses are looking for alternative ways to retain profit. For instance, a large agricultural company based in the Rostov Region does not intend to fully pass through its higher costs to prices but is going to cover them from expanding production of high-margin crops.

MONETARY CONDITIONS AND BANKING SECTOR

Both large companies and SMEs intensified their lending activity. In June, SME loan portfolio demonstrated the highest monthly surge in the last ten years. According to some credit institutions based in the Volgograd Region, these trends were mainly conditioned on the necessity to maintain the current operations despite higher costs. Companies believe that lending

pricing somewhat toughened with a slight relaxation in the maximum loan amount and maturity. Monthly growth rate of household lending slowed down backed by the gradual saturation of demand for housing and durable goods. Mortgage loans continued to grow faster than consumer loans, however, demand in the real estate market has saturated, in the opinion of the Rostov Region-based banks.

TOURISM

As the Krasnodar Territory authorities introduced their tourist accommodation requirements (vaccination certificate/ vaccination exemption certificate/ negative PCR test), Crimea-based resorts gain popularity: accommodation bookings in Yalta and Sevastopol were 95% up and 43% up, respectively, vs July, according to on-line booking service. Demand in the Krasnodar Territory partially shifted towards guest houses and private apartments: average cancellation rate for hotels and health and resort facilities was 17% in August.

The North Caucasus resorts continued to be in great demand due to the opening of new infrastructural facilities and better transport accessibility. For instance, from 15 August passengers may travel in the Republic of Dagestan with a single ticket that made it easier for tourists to arrange trips there. According to on-line service, standard tourist itineraries in Dagestan were better in terms of price affordability than the Saint Petersburg and Golden Ring routes, and were on the top of rating by the number of on-line inquiries.

HOUSING CONSTRUCTION

According to construction companies, demand for housing reduced in August. Based on this the Volgograd Region-based developers stated that they were not prepared to fully pass through their rising costs to prices for apartments intended for sale. They are apprehensive that they will have built apartments nobody would buy because of the higher prices. Nevertheless, the Krasnodar Region is the country leader by the number of ready apartments and houses sold in the secondary market in 2021 H1. As for resort dwellings, a real estate agency noted that demand has changed focus from properties in Sochi to Crimea due to the high prices for apartments in Sochi at the sales start fuelled by supply shortage.

AGRICULTURE

In 2021, harvest of cereals, vegetables, sunflower and sugar beet is expected to be above the 2020 level. Although some regions suffered from drought in July, one of the largest agricultural holdings in the South of Russia managed to get record-high crops in cereals thanks to application of the modern technologies.

Government continues to support the industry. A unique tomato greenhouse facility was developed in the Astrakhan Region (with an annual capacity of 7,000 tons) with the use of a subsidised investment loan. To develop breeding in the Krasnodar Territory, a special mechanism is elaborated whereby farmers are to get a partial compensation for their expenses related to purchasing domestic corn and sunflower seeds only.

BANK OF RUSSIA URAL MAIN BRANCH



In July–August, the growth rate of the Ural macro-region's economy remain high, in general. Resource limitations and uncertain price conditions hinder further growth in the manufacturing industries. Output and demand projections made by domestically-focused businesses appear highly ambiguous. In the first half of August, sales in consumer-oriented sector and services demonstrated some revival after a two-month pause. Lending areas were expanding on the back of rising interest rates.

CONSUMPTION AND INCOMES

Retailers noted a highly tough competition both for buyers and employees. Order pickers and deliverers are in great demand virtually everywhere owing to on-line sales expansion. In Bashkortostan the first 'mobile shop' for remote areas residents was launched in early August. Local authorities' decisions to permit classroom learning boosted demand for stationery, kids and pupils wear. Moreover, the one-time payment of the President's school preparation allowance additionally supported demand after stagnation in June-July. The portion of domestic products in the total sales went up.

At a trade unions' initiative, the largest industrial companies in the Kurgan Region increased wages by using savings from the reduction in regional power transmission tariffs.

At the same time, most respondents representing inward-oriented sectors note that appreciating raw materials and components prevent them from increasing wages and paying bonuses that make the shortage of qualified staff more acute.

PRICES

In July, annual inflation in the Ural macro-region did not change and stayed at 6.1%.

Prices stopped growing mainly due to earlier harvest of fruit and vegetables.

The state of emergency introduced in some regions caused a rise in price expectations of

companies engaged in cereals farming and processing.

In July, oil companies raised prices for their products but they do not anticipate any further increase in near future. August saw a sharp rise in prices for natural gas and natural gas motor fuel prompted by the state of emergency and reduction in output of the gas processing plant in the Yamalo-Nenets Autonomous Area.

MONETARY CONDITIONS AND BANKING SECTOR

July was the first month since early 2020 to witness a rise in the fixed-term deposits in the Ural macro-region on the backdrop of their rising yields. Banks expect higher demand for consumer loans though their conditions have toughened. Demand for new corporate loans was slightly above the Russian average primarily owing to the Yamalo-Nenets Autonomous Area oil and gas sector and real estate operations. Non-price lending conditions eased thanks to a wider range of lending areas amid growing interest rates. Banks highlighted the lifting of lending limits for borrowers from some sectors and inclusion of new customer categories into the list of clients for making pre-approved offers.

MANUFACTURE OF COMMERCIAL VEHICLES

According to the sector's representatives, input costs continue to rise, debt servicing cost is up

too. Companies expected output prices to raise because of the higher prices for raw materials and components.

As far as commodity groups are concerned, 2021 H1 saw a considerable growth in the output of passenger buses (including those to be further exported), towed and special vehicles. The largest regional manufacturer of four-drive trucks made an automotive supply agreement for providing a large-scale 'Vostok Oil' project with off-road tractors, tank vehicles, and dump trucks. However, some driving gear components are purchased from overseas companies who raised their prices substantially. A construction special machinery plant doubled its sales of concrete mixer trucks, concrete pumps and booms. At the same time, demand expansion projections remain uncertain despite considerable growth in output in the first six months of the year.

ELECTRICAL EQUIPMENT

There were disruptions in supplies of imported materials and components amid the pandemics and logistic drawbacks. Electrical equipment manufacturers are focusing on domestic suppliers as much as possible and try to enter into long term fixed price packaged supply agreements to mitigate their business risks.

A producer of sophisticated lighting for roads and industrial areas informed that they used components of foreign make only. And if prices for them continue to rise, higher output prices will inevitably affect demand.

Major manufacturers of power equipment and transformer electric facilities for oil, metallurgy, chemical, and nuclear industries highlight that as their products are often made for particular customers and the production cycle is nine to twelve months long, the current rise in metal prices has hardly affected the existing contracts. However, future projects are assessed to be 20–30% more expensive.

FOOD INDUSTRY

The Ural macro-regions' farmers forecast lower harvest of grain because of dry winds, soil drought, and high heat.

One of the largest poultry farms with its own crop area lost a significant part of its feed grains harvest due to drought and had to purchase last year's grains for fodder as early as in June. Other manufacturers (meat processors, milk and eggs producers) noted that a rise in costs was provoked by the farmers' unwillingness to sell grain from their stocks in anticipation of further increase in prices. Unfavourable weather conditions complicated conservation of fodder for cattle. According to a large agricultural holding, the fodder accounts for 80% in meat cost, however, fodder grains' price is 25% up and the increase in prices for soybean and sunflower meal is within 50%. Output prices of companies with a complete production cycle are estimated to rise by 10–15% due to internal cost efficiency.

Notably, it is expected that there will be further market saturation with vegetables bringing prices down close to the last year figures.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In July–August, economic activity in Siberia continue to recover. Industrial output got closer to the pre-pandemic levels and covered losses caused by one-off factors in metallurgy and limited oil production. The indirect economic activity indicators (power consumption and railway transportation) are strongly above 2019–2020 figures. Construction operations grew at a two-digit pace. Consumer demand kept on going up. Harvest projections remain positive.

CONSUMPTION AND INCOMES

Travel agents and recreation centres representatives noted a high demand not only among local residents but also residents of Central Russia. Recreation centres are booked until September. Higher tourist flow boosted demand for food and catering. The demand for construction materials remained elevated. However, a seller of premium finishing materials informed that even loyal clients are switching to cheaper products. A kitchen furniture seller mentioned a large number of orders and shortage of furniture assemblers. The demand for new cars slightly declined. In July–August, the best-selling items were either premium cars or the cheapest models.

There were staff shortages in catering, agriculture, and medical institutions. To this end, some enterprises increased remunerations for vacant positions.

PRICES

In July 2021, annual inflation in the macro-region accelerated to 7%. Car prices continued to grow owing to a halt in production (lack of components). Furniture factories noted rising prices for accessories and wood particle materials. Companies reported a slower growth in prices for metal profile products. However, general hardware and other products with long value-added chains kept on appreciating. Clothing manufacturers raised prices for school uniforms in August.

Milk producers, flour millers and bakers complained about difficulties in passing through

their rising costs to prices. Candy makers switched to cheaper stuffings and were reducing their range of products.

Three month ahead price expectations of businesses remained elevated. Nearly one-third of companies planned to raise output prices, most significantly in agriculture, food sector, and public catering.

MONETARY CONDITIONS AND BANKING SECTOR

The June reduction in outstanding corporate debt was conditioned on a few industrial companies. Lending growth was accelerating in other segments. Loans to agriculture and construction stayed close to the maximum values of the last few years.

Retail lending slowed in July as a result of the toughening loan conditions and changes in the subsidised mortgage loan parameters.

Rising deposit pricing boosted households' appetite for savings.

COAL PRODUCTION

In July-August, Siberian coal enterprises reported that export prices remained at multi-year highs, coal exports appeared profitable. Coal businesses continued to revise upwards their production targets and engaged third party contractors.

A thermal and metallurgical coal producer believes that the rising foreign demand enabled the company to ship nearly 10% more in addition to the exports target they had revised upwards in March.

A thermal coal producer reports the better profitability of coal exports to Europe given that European customers have not been buying coals in recent years. The company has increased its output by one third since the beginning of the year.

An anthracite producer informed about a 25% increase in production fuelled by the high demand in Asia.

However, a cargo handling operator believes that the positive situation in the coal market is temporary and coal businesses do not see any prospects for raising prices and exports. That is why, the company is unable to coordinate with the coal producers a reasonable increase in its fee schedule.

METALLURGY

According to Siberian metallurgical companies, the industrial metal market environment continued to be favourable.

A Siberian division of an aluminium holding company reported that some high value-added products were included into its product line. In July–August, the first consignment of aluminium alloy lighting poles was offered in the domestic market. Since 1 August, prices for aluminium semi-products to be used in the national projects have been reduced. Holding's representatives reported that in July, the company started hiring and training a pool of steel workers for the new aluminium plant in Siberia.

However, aluminium exports might decline in 2021 Q2, according to the executives of Siberian plants. Introduction of the export duty on

metals will make some products loss making (as it is impossible to include the duty into the prices set out in long-term contracts). That is why, it is likely that some marginal factories will be temporarily closed down.

Another global leading metal manufacturer reported that the company lost great volumes of output because of accidents. Nevertheless, the favourable environment highly compensated for the production losses and ensured a significant growth in earnings and profit.

AGRICULTURE

Cereal crop areas in Siberia are in line with the last year figures, areas for oil crops (sun flower, rapeseed, flax) expanded by 15%. Crops are in a good condition. Although the harvest started one or two weeks later than usual, the grain harvest is expected to be the five-year average (15 million tons). Harvest of field vegetables and potato is anticipated to be bigger and better.

Rising demand for exports and global food prices made it possible to expand the scale of technical retooling. According to banks, the number of applications for financing equipment purchases doubled vs last year.

Livestock breeding reported continuously tough competition and search for new sales markets. The investment projects implemented by pork producers are aimed at expanding exports and regional coverage. Some businesses changed focus from manufacturing finished consumer goods to raising young breeder for sales to other regions and exports to China.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In July, retailers reported reduction in the current demand vs June. The demand for services was recovering thanks to tourism. The declining demand moderated businesses' price expectations which remain high, however, because of an on-going rise in costs. The shortage of containers and wagons resulted in a slower growth in freight turnover of sea ports and railways. Fish producers explored new sales channels in the foreign and domestic markets.

CONSUMPTION AND INCOMES

Retailers' estimates of the current demand were worse in July than in June. Food retailers noted that demand shifted to cheaper goods and promotional products. A retailer selling a wide range of non-foods reported nearly a 33%-decrease in its average purchase amount in July vs last year. Notably, there was a strong demand for construction materials, furniture, cars, computers supported by consumer lending.

Services businesses improved their estimates of the current demand in July vs June. Hotel businesses noted a dramatic growth in their occupancy rate thanks to the Tokyo Olympics participants, among others, amid higher tourist flow. A large hotel reported on an expansion of its business (a lobby bar, summer terrace café). Some regions saw a rising demand for weekend tours. Consumer activity is supposed to be boosted by the Eastern Economic Forum to be held in Vladivostok in September.

Retailers and services businesses anticipate a growing demand on a three-month horizon.

PRICES

Growth in seasonally adjusted inflation picked up in July. Annual inflation went up to 5.7% but remained below the Russian average. Prices for construction materials were rising most of all. Companies noted a two-fold growth in prices for metal products delivered from other regions and lumber since the beginning of the year.

Construction companies faced with unavailability of product stocks at the suppliers' warehouses, only pre-ordered supplies were delivered. Sellers of timber products mentioned that the high volatility of prices made them stop using price lists and change prices on a daily basis. A large forestry company anticipates further rise in prices for its products because demand for them greatly exceeded the output.

Shrinking production and lower demand made businesses' price expectations slow down in general. Notably, companies highlight continuously rising costs and do not expect them to slow down in the coming year.

MONETARY CONDITIONS AND BANKING SECTOR

Consumer lending growth rates were going up in June–July exceeding the Russian average. Driven by the changes in subsidised mortgage loan parameters and higher pricing, banks and developers started exploring new opportunities for retaining demand. For example, a bank reduced the interest rate for mortgage loans to be issued for buying properties named by the developer. A large regional developer together with a credit institution launched an initiative to include detached housing construction projects into an escrow account framework.

Investment products continued to be in high demand among households which was prompted by easier access to such products thanks to on-

line applications development, according to banks.

Lending conditions for large borrowers were relaxed with regard to non-price criteria and wider loan offerings. SME lending growth slowed down as all subsidised programmes were over and pricing got more expensive.

CARGO TRANSPORTATION

In June–July, growth rates of freight turnover in Far Eastern seaports were lower vs 2019 than in April–May. Slower growth in freight turnover resulted from the continuous shortage of containers and congestions in Far Eastern ports. An additional factor was a temporary suspension of operations in several ports in China in July due to typhoon and coronavirus outbreak. As a result, in August shipping lead times were twice as longer than in July. Rates for sea transportation from China for shipments in August–September kept on growing but at a slower pace than in May–June. The freighters expect the situation to stabilise.

In June–July, railway transportation of containers increased by one-third in the macro-region and entire Russia vs 2019. Companies reported a shortage of railway wagons and flat-cars which led to month-long delays. On the top of that, collapse of the bridge in the Zabaikalye Territory in July made the delivery periods even longer. A large instrumentation company switched from delivering its products by railways to motor vehicles as the motor transportation rates did not change, while the wagon lease rates rose, however, the delivery periods are comparable. Given the shortage of rail flat-cars

the Russian Railways permitted to transport loaded containers in open wagons from one of the Far Eastern ports.

FISHING AND FISH PROCESSING

By mid-August, pacific salmon catch more than doubled vs last year and was 14% up vs 2019. To accept catches some necessary efforts were made to vacate the refrigerating facilities that were filled with other types of bioresources because of the effective restrictions in China. To this end, a resident of Free Port of Vladivostok started transporting fish products to Russia's central regions in railway refrigerators at special tariffs of the Russian Railways and bought 200 large tonnage deep-freeze containers for this purpose. A large company arranged for direct deliveries of salmon from the catching locations to the Russian western regions by the Northern Sea Route. This helped reduce pressure on refrigerating facilities. A company established direct deliveries of fish products in refrigerated containers by sea to Europe, the USA, South-East Asia from Vladivostok port (such deliveries used to be shipped only through ports in China and Korea).

Wholesale prices for key types of fish including salmon were declining in July–August. Due to active sales of humpback in the Sakhalin market the caviar supply expanded resulting in a significant reduction in its prices. Despite excellent catches the fish producers do not plan to decrease prices as their expenses related to purchase of fuel, packaging and preservatives went up.

BOX 1.

BUSINESSES' PRICE EXPECTATIONS

Price expectations of companies from main industries remain at an elevated level. Their rise in 2021 H1 was driven by expansion of foreign and domestic demand outstripping supply that pushed up costs and prices. Consumer goods manufacturers reported the highest price expectations reflecting high consumer activity. Since 2021 H2 growth of price expectations in some industries has been slowing in line with movements in demand and prices.

In 2021 H1, **companies' price expectations generally continued to rise** in response to the expansion of domestic demand ahead of supply, rising costs, and export prices. However, **price expectations of different sectors tended to vary**. In August 2021, **consumer-oriented sector had higher price expectations**, on average.⁴ This stemmed from mismatches between the trends in supply suffering from the pandemic and demand benefiting from support through the state programmes, among other things. The **lowest price expectations were recorded in the intermediate goods sector**⁵ that was affected by falling global prices and measures to protect the Russian domestic market from external shocks. Investment sector's price expectations⁶ were close to the average across the economy. Such **sector structure of the price expectations shows that their increase predominantly depends on the final demand**.

In July–August 2021, **price expectations moderated in some industries** mainly reflecting a slower expansion of demand, especially consumer one. Notably, lower price expectations in the intermediate goods sector indicates some weakening in cost-side pressure on prices and

paves the way for reducing the price expectations and slowing the price growth in industries focused on final consumption.

INTERMEDIATE GOODS

Elevation of businesses' price expectations in the intermediate goods sector that started in May–June 2020, **continued in 2021**. It took place on the back of the relaxation of anti-pandemic restrictions and **recovery in domestic demand outpacing supply**. Price expectations in this largely export-focused segment was greatly impacted by **a pickup in global prices** driven by the fast recovery of the global economy.

For instance, sky-rocketing metal prices and growing exports, as well as higher domestic demand spurred a rapid rise in prices and price expectations of metal makers across the entire country. Driven by high demand a Karelia-based forestry and logging company intended to raise its prices because of rising timber prices, higher cost of spare parts for forestry equipment (mainly of foreign make), appreciating metals and motor fuel. To meet the domestic and foreign demand many intermediate goods manufacturers were operating at full capacity, e.g. Ural-based manufacturers of oil

⁴ Sectorisation of activities is relative and based on the predominance of a product type in the entire output. Consumer-oriented sector includes manufacture of clothes, footwear, food and beverages, paper and paper products (partly), household chemicals, domestic appliances, medicines, cars, and furniture.

⁵ Intermediate goods sector includes mining and quarrying, wood processing (partly), manufacture of

coke and petroleum products, chemicals and chemical products, rubber and plastics products, metallurgy.

⁶ Investment sector includes wood processing (part), manufacture of non-metallic mineral products, machine building.

products, chemicals, and fertilisers. Limited output capacities pushed up prices and price expectations. Accelerating rise in prices for intermediary products in value chains resulted in higher costs incurred by sectors manufacturing investment and consumer final products.

However, price pressure in the sector started easing in mid-2021. Respondents noted softening growth in the volume and number of orders; their projections of future trends in demand and global market environment were less optimistic. Besides, producer prices were moderated by the Customs and Tariffs Policy measures to protect the domestic market from external shocks. The peak of price expectations in metallurgy was passed in the last May–June. In July, Ural metal makers forecast less vigorous growth in prices for their products in the next 12 months. Also, companies of this region reported a tougher competition and a larger number of requests to postpone payments for the products supplied by counterparties which evidenced that demand constraints were building up.

In August, price expectations in the intermediary goods sector were lower than in other sectors, on average, which is likely to result from the drop in global prices and the domestic market protections from external shocks. Along with decelerating dynamics this predetermines future easing in cost pressures and curbing of price expectations trends and prices in the investment and consumer-oriented sectors.

INVESTMENT GOODS

In 2021 H1, rising producer prices for intermediary goods caused **growth in the costs of the investment goods manufacturers.** Nevertheless, **price expectations dynamics in the sector was diverse this year** and largely conditioned on the investment demand of counterparties. Favourable environment helped some manufacturers improve their financial conditions and sentiments with a positive impact on their investment activity, while the growing economic uncertainty made the others scale back

their development plans. All in all, the **investment demand was growing along with the prices and prices expectations of investment goods manufacturers.**

Price expectations in construction and construction materials production sustainably grew largely due to expanding demand for housing. To fulfil their orders, construction material producers used their full capacity like, for example, a Ural manufacturer of building steel structures. Builders in the Astrakhan, Kaliningrad, and Tomsk Regions reported on the shortages of concrete and other construction materials. Sustainable growth in the domestic and foreign demand enabled the product suppliers to adjust their prices upwards that is confirmed, for instance, by a Ural lumber manufacturer. Encouraged by an elevated demand, a large producer of plywood, sawn wood, and wood boards in the Republic of Komi revised its prices upwards and increased wages of its employees both in 2020 and 2021.

Sentiments and expectations of machine builders were shaped by expanding investment demand from agricultural companies taking advantage of favourable environment and improved financial condition. In this environment Rostov-based manufacturers of agricultural machinery launched construction of a tractor plant and state-of-the-art paint production in the Krasnodar Territory: they purchased equipment for metal processing workshop and financed development of social amenities. Sustainable growth prospects pushed up price expectations in this segment of the investment goods sector. In contrast, smaller number of orders for oil and gas equipment made a Ural machine building factory announce about a reduction in output and the risk of failure to deliver on the state programmes approved for the year to come. Given the current environment, the respondent does not plan to raise its output prices over the mid-term horizon despite higher costs.

Overall, **in August many representatives of this sector started to report on the signs of weakening investment demand both in construction and machine building.** For instance,

housing developers in the Volgograd Region informed that it was impossible for them to raise prices proportionately to rising costs. A plywood producer in the Republic of Mordovia noted that the stocks of its products in trade outlets were increasing that was a sign of a fading construction boom, and forecast the price dynamics to slow down.

An Irkutsk-based machine builder reported on a shrinking demand for its products: some counterparties put their investment projects on hold while the others terminated their equipment purchase contracts. A Ural medical equipment plant anticipated a slight (+1–2%) increase in prices for its products which, in its opinion, was mainly connected with appreciating raw materials and components. Generally, a lot of Ural investment products producers reported on a tougher competition suggesting accumulation of demand constraints. In this situation price expectations of investment goods manufacturers slowed down.

CONSUMER GOODS

Since early 2020, price expectations of consumer goods manufacturers have been demonstrating an upward trend along with costs and output prices. In August, the **sector's expectations were higher than in other sectors** driven by sustainable expansion of households' demand supported through the state programmes. This made it possible to pass through rapidly growing costs to the final consumers.

For instance, furniture makers in more than one region compensated appreciating sawn wood, wood boards, and accessories by raising prices. A cereal and vegetable producer in the Rostov Region intended to raise its output prices because of the higher cost of seeds, fertilisers, fuels and lubricants, and labour. Siberian farmers' prices were impacted by a rise in prices for fuels and lubricants that took place in anticipation of the harvest to start: according to them, the seasonal reduction in vegetable prices this year may turn out to be less than usual. In turn, appreciating agricultural raw materials, higher labour and other costs (e.g. cost

of packaging) prompted food companies to revise their prices. For example, a Ural food producer planned to raise its prices by more than 6% in the coming months. A sunflower oil producer in this region warned about a possible increase in prices in the next 12 months due to worse sunflower harvest forecast because of hot weather and worse state of crops.

A lot of companies reported on the rising cost of transportation due to more expensive fuels and lubricants and a shortage of containers, among other things. In particular, several cargo companies in the Stavropol Territory planned a 5–10% increase in their tariffs by 2021 year-end.

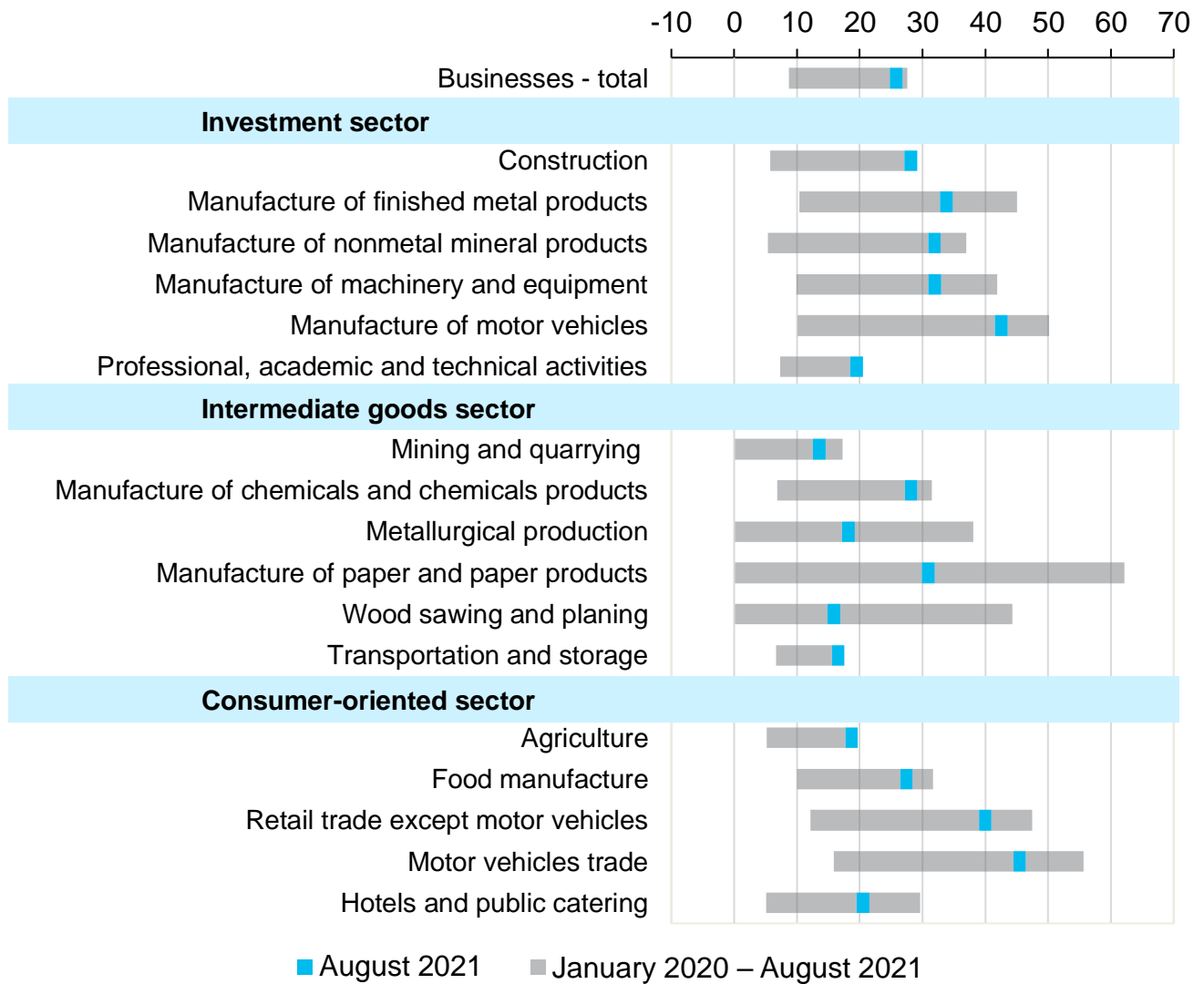
Nonetheless, there have been some **signs of slowdown in the consumer demand growth and, consequently, price expectations since the middle of the year**. For instance, a Krasnoyarsk-based domestic appliances manufacturer has no plans to raise its prices despite the higher cost of plastics as the demand was lower than anticipated. In July–August, price expectations in car sales dropped in spite of the on-going shortage of cars (among other things, owing to the global shortage of chips and other components as reported by a Far East large car manufacturer). According to a car dealer based in the Rostov Region, consumer demand appears sustainable, however, consumers tend to prefer cars of a cheaper class than those they used to buy before. Demand parameters are affected by changes in loan pricing and reduction of the subsidised auto lending programmes (see Box 2 “Monetary conditions and credit and deposit market in April–June 2021”).

The largest Russian metal dishware manufacturer based in the Republic of Tatarstan had to reduce rather than raise its prices for some items on the back of a tougher competition evidencing a slackening demand. Food companies (e.g. in the Ulyanovsk and Volgograd Regions) also named these factors as those preventing output prices to grow.

Intensifying consumer demand constraints and falling price expectations of consumer goods

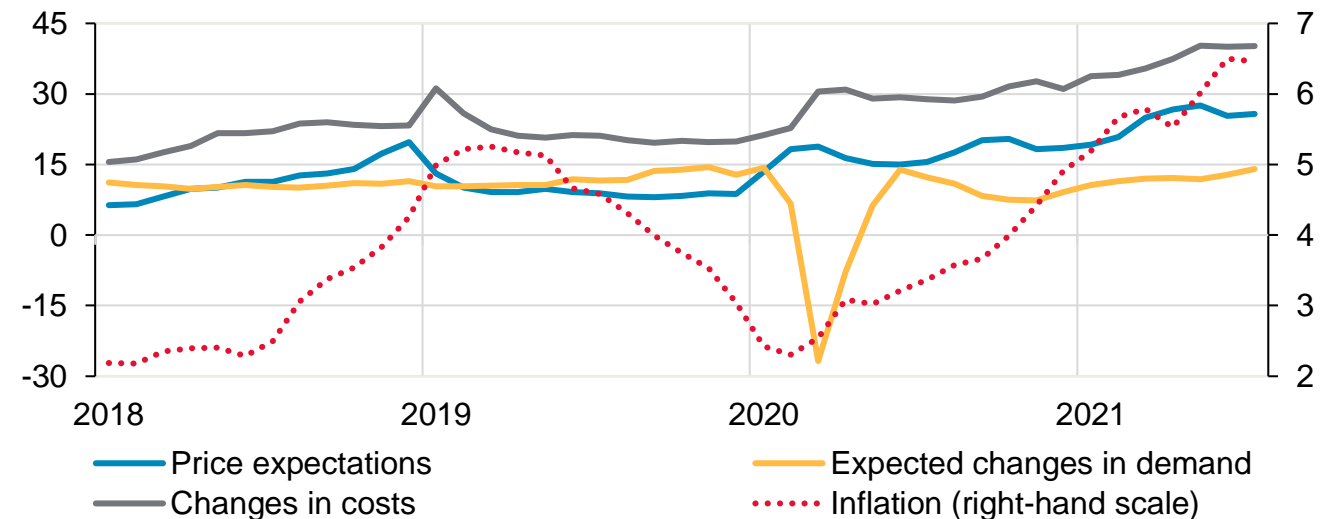
producers in value chains will be hindering evolution of prices and price expectations in other sectors.

Chart 1. Companies' price expectations: January 2020 – August 2021, pp SA.



Source: Bank of Russia's monitoring of businesses.

Chart 2. Price expectations, costs and expected demand, pp SA.



Source: Bank of Russia's monitoring of businesses.

BOX 2.

MONETARY CONDITIONS AND CREDIT AND DEPOSIT MARKET IN APRIL–JULY 2021

In April–July 2021, the monetary conditions in the Russian economy continued to be accommodative, in general. The Bank of Russia’s decisions to gradually return to the neutral monetary policy already translated into the movements in average rates to some degree, however, they remained low. This and easing of non-price lending conditions boosted growth in the lending activity. In some segments, changes in the lending volume were largely driven by the effective subsidised lending programmes. Deposit products were still less attractive than other savings tools. However, their yields have been improving gradually.

In April–July 2021, the monetary conditions in the Russian economy remained accommodative despite some tightening of price conditions. The decisions made by the Bank of Russia to raise the key rate in April–July 2021 coupled with the signal of a return to neutral monetary policy boosted the growth in money market rates and short-term and medium-term OFZ yields. Yields of long-term OFZ changed slightly. In turn, this situation was translating into a gradual rise of loan and deposit rates for businesses and households. However, rates stayed at a low level. Rates in some segments were close to their multi-year lows. In the Russian regions, change in the monetary conditions and dynamics of amounts in credit and deposit market were shaped by both country-wide and local factors.

DEPOSIT MARKET.

Average deposit rates rose in June vs March by 56 bp to 4.8% and by 18 bp to 3.4% for long-term and short-term facilities⁷, respectively. This processes continued in July. **However, its scale is not yet big enough to be fully translated into a significant improvement in the attractiveness of deposits as a savings tool.** In spite of their gradually rising yields, deposits are still less profitable than alternative savings tools (investments in securities, real estate). As of early July, household deposit portfolio growth⁸ amounted to 2.7% (vs 3.5% in March)⁹ and was largely driven by an inflow of funds to current accounts. In July, the inflow of funds to household deposits continued to slow down in annualised terms (Chart 1).

2021 Q2 witnessed a tougher price competition for depositors among banks. Most intensively banks competed in the segment of three-year

⁷ Short-term deposits are deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year. See [Information and analytical commentary](#) “Banking Sector Liquidity and Financial Markets”. No. 7 (65). July 2021

⁸ Deposits include balances in term deposits, demand deposits and current accounts but exclude funds placed in escrow accounts under equity construction agreements.

⁹ Hereinafter, increases in banks’ balance sheet indicators are calculated based on the 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. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

and longer deposits. This segment reported an inflow of funds as banks were eager to secure longer liabilities. For instance, banks in the Volgo-Vyatka macro-region reported that in order to raise long-term deposits they applied a wide range of tools: they offer higher rates, top-ups throughout the year or withdrawals without losing interest. Far Eastern banks also offer higher rates. Respondent banks noted that their special focus is relations with pensioners as they are the most disciplined depositors who top up their deposits on a monthly basis and hardly ever terminate their deposits before maturity.

As the tougher competition pushes up the deposit rates faster than anticipated, the absence thereof has the opposite effect. For example, respondents in the South mentioned that in the regions where there are one or two regional banks, if any, the deposit yields are close to the minimums across the micro-region.

CREDIT MARKET.

Rising rates in money and stock markets and a phased appreciation of banking liabilities made lending price conditions tougher in April–July 2021. This affected all categories of borrowers (households, large corporates, SMEs), according to the banks covered by the Bank of Russia's survey.¹⁰ **However, the nature and scale of tougher price conditions greatly differ from segment to segment which was largely connected with the fluctuating portions of subsidised products in the credit market turnover.**

RETAIL LENDING

Impact of the market turnover structure on rate dynamics was most evident in the **mortgage lending**. In June 2021, the average mortgage

rate in Russia was 16 bp below the March level (7.1% in June vs 7.2% in March) though rates for mortgage loans outside the subsidised programmes grew over 2021 Q2. This was predominantly caused by a significant growth in the portion of subsidised loans in the mortgage market turnover in the anticipation of a possible termination of Programme 6.5.

Moscow, Saint Petersburg and cities in the Moscow, Leningrad and Kaliningrad Regions as well as some regions in the Urals and South witnessed most significant surges in demand for mortgage loans. This was largely prompted by an opportunity to get a large loan at a low rate. As a result, dwellings became much more affordable for residents in these regions while Programme 6.5 was in effect. In the Kaliningrad Region, the outstripping growth in mortgage lending was conditioned on the persisting demand for real estate from residents of other Russian regions as the region became more attractive in terms of tourism and leisure.

Dramatic growth in subsidised mortgage lending in 2021 Q2 pushed down the average market rates for household loans, in general. In June, they returned to the March level again after some rise in the previous months. The change in subsidised mortgage lending parameters¹¹ in early July led to some reduction in its portion in the market turnover. This paves the way for resuming growth in the average retail lending rate in the near term.

Tough market competition for borrowers curbs the rate rising. According to banks in some regions, such competition make them cautious in determining when and by how much they may raise their rates. To sustain demand for their products and retain clients, in 2021 Q2 banks started offering additional mortgage rate

¹⁰ The Bank of Russia's quarterly survey of bank lending conditions (BLC) covers banks from 68 regions. Read more about the survey in the section [Bank Lending Conditions](#) on the Bank of Russia website.

¹¹From early July 2021, the interest rate under the Russian subsidised mortgage lending programme increased from 6.5% to 7% per annum with the maximum loan amount reduced to 3 million rubles (it used to be 12 million rubles for Moscow, the Moscow Region, Saint Petersburg, and the Leningrad Region and six million rubles for other regions).

subsidy programmes. For instance, in 2021 Q2 some banks and developers in Central Russia, the Far Eastern and North-Western macro-regions were offering loans under their joint programmes whereby the mortgage lending rate was even lower than that offered within the state-supported programmes (under some programmes rates are down to 3% p.a.).

Apart from a prudent approach to changes in their price conditions, banks maintained or eased their non-price lending conditions in order to retain the market share and sustain demand for their products (Chart 2). For example, respondents in Central Russia and the Ural macro-region noted a significantly wider range of borrower categories and lending areas. In the North-Western and Southern macro-regions the loan amount and security criteria eased most of all. In June 2021, Saint Petersburg, for instance, was in the top three regions by the largest average amount of issued mortgage loans. The Volga-Vyatka respondent banks reported on substantially longer maximal maturities for retail loans than generally in Russia.

Relaxation of non-price lending conditions, low real rates for retail loans and expectation of their further rise boosted growth in the lending amounts in this market segment. By early July, the annual growth rate of the retail loan portfolio came in at 21.6% (vs 14.4% in March). **As households' incomes were recovering, there was an intensification of activity in consumer lending in 2021 Q2.**

Growing turnover in all retail lending segments was reported by respondents from the major part of regions. For instance, in the Urals the expansion of consumer loan demand was higher than generally in Russia. Such expansion was greatly driven by a seasonal factor – holiday period. It boosted expenses for leisure travels and construction material purchases for private housing construction. The Volga-Vyatka respondent banks link the elevated lending activity mainly with the households' willingness to get a loan before rates rise. Banks in the Ta-

tarstan and Kirov Region additionally highlighted that the growing households' demand for loans may be conditioned on the realisation of deferred consumption. According to the largest banks, in the Volgograd Region the increase in consumer lending amounts is connected with the financing of sizable expenses: purchase of cars, down payments under mortgage loans.

In July, retail lending continued to grow but at a slower pace than in the previous month, as expected. This was observed not only in mortgage lending but in consumer lending too due to the enhancement of the macroprudential regulation.

CORPORATE LENDING

In April–July 2021, corporate segment of the Russian credit market saw a more considerable rise in the average rate than retail segment. The average rate under long-term loans to non-financial institutions sustainably grew over 2021 Q2 and accounted for 7.6% in June (vs 6.9% in March). There was a higher volatility in SME lending rates that was conditioned on the fluctuation of the portion of subsidised loans in the market turnover.

In contract to price conditions, the non-price lending conditions were easing predominantly (Chart 3). Banks from the major part of macro-regions noted relaxed requirements for borrowers' financials and loan security, a wider range of eligible businesses and a broader product line including SME-focused products.

Corporate lending activity sustainably grew in 2021 Q2 just like retail lending. Annual growth rate of non-financial institutions loan portfolio came in at 9.9% in early July vs 5.9% in early April. SME lending amounts continued to grow faster than expected.

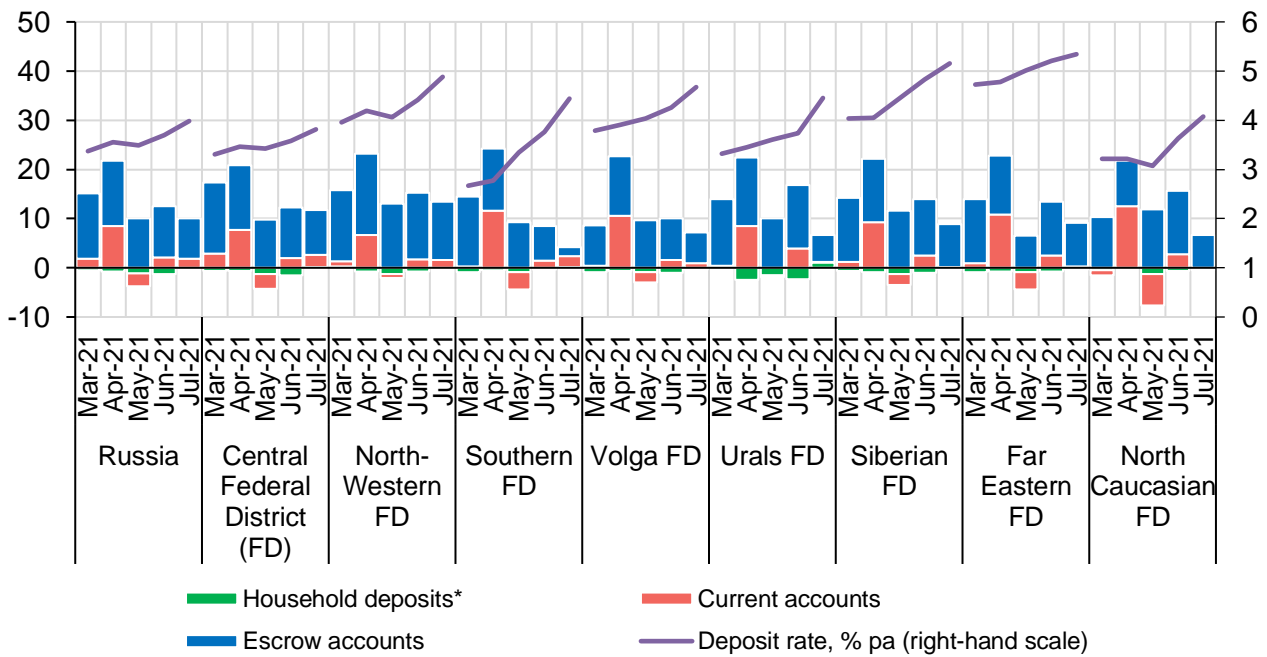
Demand for new corporate loans in the Ural, Far Eastern and Volga-Vyatka macro-regions grew faster than across Russia. This was conditioned on the implementation of investment projects and was ensured by large corporates. Mining and quarrying (oil and gas sector, first of all) were the biggest contributors to this growth. Respondents reported on the expansion of lending

to real estate operations sector and some manufacturing industries. There was an expansion of lending activity in the construction segment in Central Russia fuelled by high demand for real estate, and in agriculture in the Southern macro-district thanks to the subsidised lending programmes implemented in the Krasnodar Territory and Rostov Region.

Apart from such loan demand factor as an investment activity, respondents in some regions (e.g. in the Volgograd Region) also noted that they needed loans to finance their current operations due to marked cost increases.

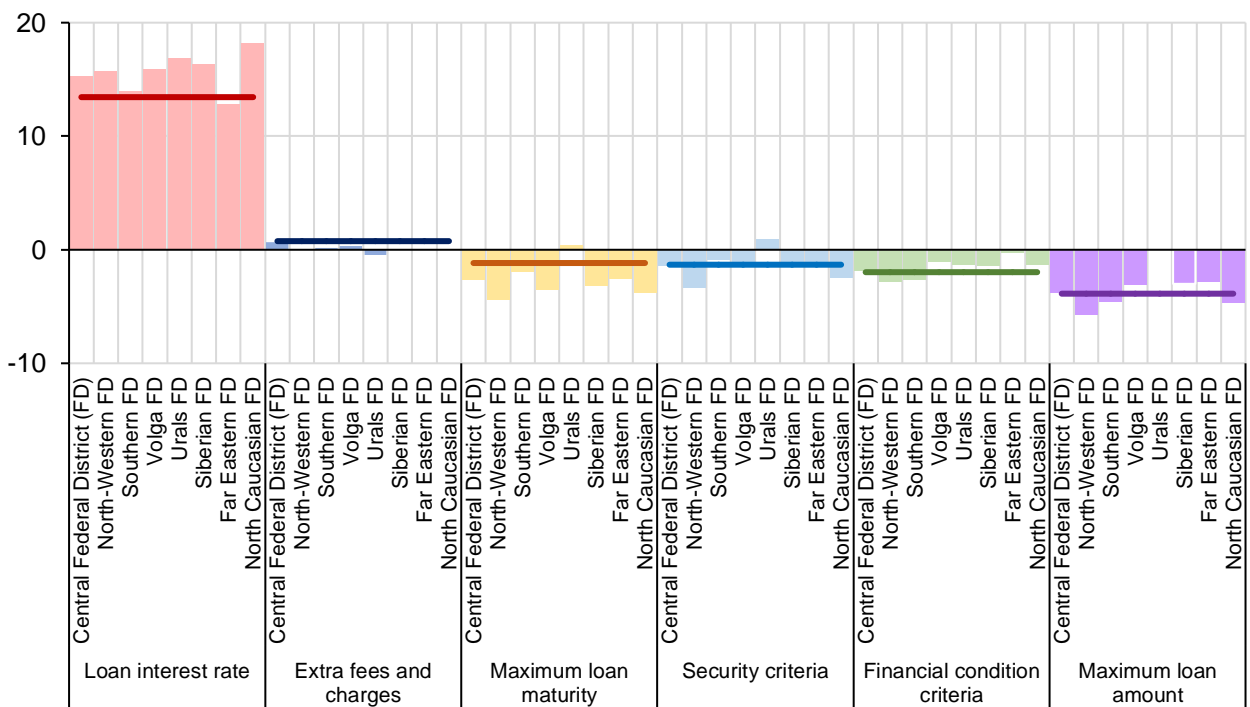
In July, corporate lending continued to expand.

Chart 1. Change in households' deposits in March–July 2021, pp



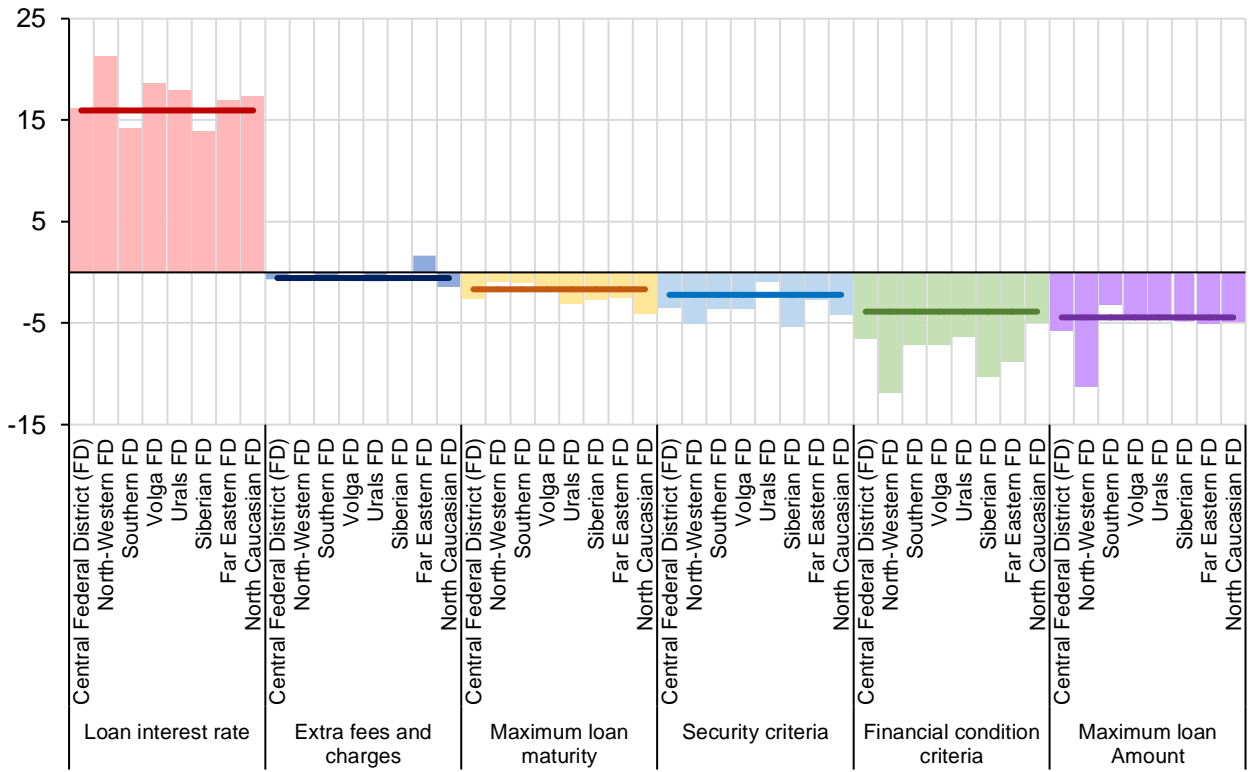
*excluding funds in current accounts and escrow accounts.
Source: Bank of Russia.

Chart 2. Change in BLC for households in 2021 Q2, pp



Note: the line shows the results of largest Russian banks survey.
Source: Bank of Russia.

Chart 3. Change in BLC for businesses in 2021 Q2, pp*



Note: the line shows the results of largest Russian banks survey.
 Source: Bank of Russia.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	3.0	4.9	3.2	3.7	4.9	5.8	6.5	6.5	6.5	
Core inflation	% YoY	3.1	4.2	2.9	3.3	4.2	5.4	6.6	6.6	6.8	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, %	3.4	-2.1	-6.3	-4.4	-0.7	1.6	2.8	2.8	2.2	
Fixed capital investment	Cumulative, %	2.1	-1.4	-1.8	-3.1	-1.4	5.6				
Construction	3MMA, %	2.1	0.1	-3.9	1.1	0.8	3.0	6.4	6.4		
Housing commissioning	3MMA, %	6.2	0.2	-17.0	7.7	2.2	14.8	15.5	15.5	13.2	
Retail	3MMA, %	1.9	-3.2	-15.1	-0.8	-1.7	3.4	4.9	4.9		
Commercial services	3MMA, %	0.5	-14.8	-34.6	-14.5	-10.4	-2.8	-1.2	-1.2		
Real wages	3MMA, %	4.8	3.8	-0.1	1.8	2.2	7.9				
Real disposable income	% YoY	1.7	-2.4	-7.3	-3.7	-1.0	-0.7	-0.2			
Outstanding consumer loans	% YoY	17.6	7.0	10.5	7.9	7.0	7.4	15.7	15.7	16.4	
Outstanding mortgage loans	% YoY	19.2	21.6	15.1	20.1	21.6	23.2	29.0	29.0	28.7	
Non-financial organisations' outstanding bank loans	% YoY	4.7	9.4	8.5	10.0	9.4	7.2	10.4	10.4		
• Large borrowers	% YoY	3.5	7.4	8.0	7.6	7.4	4.4	6.7	6.7		
• SMEs	% YoY	12.9	21.9	11.9	25.5	21.9	24.6	32.1	32.1		
Companies' price expectations	Balance of responses, SA	10.2	16.5	16.9	16.0	19.6	19.6	26.4	27.5	25.3	25.9
Business Climate Index	pp YoY	1.0	-8.0	-14.7	-1.9	-5.9	11.5	17.4	6.0	2.4	
• Current estimates	pp YoY	0.5	-7.9	-19.0	-1.1	-4.9	8.4	23.0	4.5	2.7	
• Expectations	pp YoY	1.5	-7.9	-9.5	-2.6	-6.9	14.7	10.9	7.6	2.1	

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

Core indicators. Main Branch for the Central Federal District

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	3.0	4.7	3.1	3.5	4.7	5.7	6.4	6.4	6.3	
Core inflation	% YoY	3.2	4.2	2.8	3.1	4.2	5.5	6.6	6.6	6.8	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	7.4	9.0	0.9	8.6	10.6	31.6	25.1	25.1	26.8	
Fixed capital investment	Cumulative, % YoY	15.0	-3.4	-5.4	-7.6	-3.4	12.5				
Construction	3MMA, % YoY	4.9	10.8	-1.4	14.6	20.1	5.9	7.2	7.2		
Housing commissioning	3MMA, % YoY	8.1	-0.8	-32.7	-17.1	26.0	2.6	18.0	18.0	8.1	
Retail	3MMA, % YoY	2.3	-2.1	-15.0	1.5	-0.3	6.2	8.6	8.6		
Commercial services	3MMA, % YoY	2.7	-18.6	-38.8	-20.5	-16.0	-7.0	1.4	1.4		
Real wages	3MMA, % YoY	6.2	3.4	-1.2	2.6	4.4	10.4				
Real disposable income	% YoY	2.8	-2.7	-8.8	-3.6	0.0	0.2				
Outstanding consumer loans	% YoY	17.3	5.2	9.2	6.4	5.2	5.7	14.2	14.2	15.0	
Outstanding mortgage loans	% YoY	24.2	24.4	18.0	22.9	24.4	25.4	32.5	32.5	31.9	
Non-financial institutions' outstanding bank loans	% YoY	4.4	11.1	11.2	13.0	11.1	8.4	10.0	10.0		
• Large borrowers	% YoY	2.6	10.6	11.2	11.9	10.6	7.0	6.9	6.9		
• SMEs	% YoY	20.5	15.2	11.7	22.9	15.2	20.2	33.6	33.6		
Companies' price expectations	Balance of responses, SA	11.9	18.7	18.8	18.4	23.2	23.3	35.1	37.6	33.6	29.8
Business Climate Index	pp YoY	-0.1	-7.2	-15.6	0.4	-5.2	11.1	18.8	4.7	1.7	
• Current estimates	pp YoY	-0.6	-7.3	-21.5	0.8	-4.6	7.5	25.9	7.6	1.7	
• Expectations	pp YoY	0.5	-7.1	-8.7	-0.1	-5.9	15.2	10.7	1.5	1.8	

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

Core indicators. North-Western Main Branch

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	3.0	4.8	3.1	3.6	4.8	5.4	6.6	6.6	6.3	
Core inflation	% YoY	3.2	4.0	2.8	3.4	4.0	5.2	6.7	6.7	6.6	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	3.4	-2.6	-7.9	-4.4	-0.2	1.9	-1.5	-1.5	0.0	
Fixed capital investment	Cumulative, % YoY	-15.9	-0.3	-7.6	-3.2	-0.3	-9.4				
Construction	3MMA, % YoY	-9.4	-10.2	-4.7	-12.5	-18.5	-17.4	-9.1	-9.1		
Housing commissioning	3MMA, % YoY	-1.3	-2.9	-14.8	36.7	-8.4	38.7	25.3	25.3	42.7	
Retail	3MMA, % YoY	2.0	0.2	-11.0	3.0	2.2	7.7	11.2	11.2		
Commercial services	3MMA, % YoY	0.0	-14.9	-32.4	-15.2	-9.9	-2.3	-1.3	-1.3		
Real wages	3MMA, % YoY	4.1	2.1	-1.5	1.0	0.3	4.8				
Real disposable income	% YoY	0.6	-1.0	-3.1	-2.8	-0.7	0.2				
Outstanding consumer loans	% YoY	18.4	6.9	10.3	7.7	6.9	6.9	15.4	15.4	15.9	
Outstanding mortgage loans	% YoY	21.5	22.0	16.3	21.0	22.0	23.1	28.8	28.8	28.2	
Non-financial institutions' outstanding bank loans	% YoY	3.0	9.2	-0.8	1.6	9.2	9.1	14.2	14.2		
• Large borrowers	% YoY	3.0	1.9	-1.7	-5.2	1.9	0.0	3.0	3.0		
• SMEs	% YoY	3.3	52.1	3.8	47.0	52.1	60.6	70.9	70.9		
Companies' price expectations	Balance of responses, SA	11.1	17.0	18.6	16.5	19.9	19.9	26.0	27.1	24.9	25.2
Business Climate Index	pp YoY	0.4	-7.6	-12.2	-2.0	-6.4	11.0	16.1	2.7	4.3	
• Current estimates	pp YoY	0.2	-8.0	-17.4	-1.3	-5.4	9.7	23.5	8.0	3.7	
• Expectations	pp YoY	0.5	-7.1	-6.3	-2.8	-7.4	12.3	7.9	-3.0	4.9	

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

Core indicators. Volga-Vyatka Main Branch

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	2.8	5.5	3.5	4.1	5.5	6.2	6.7	6.7	6.7	
Core inflation	% YoY	3.1	4.7	3.2	3.6	4.7	5.9	7.1	7.1	7.5	
<p>The shaded lines present 2021 data compared against the same period in 2019. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	2.8	-2.1	-8.2	-1.9	-1.0	3.3	5.2	5.2	2.6	
Fixed capital investment	Cumulative, % YoY	0.6	-3.8	-5.3	-7.0	-3.8	9.3				
Construction	3MMA, % YoY	2.8	-2.3	0.7	-1.8	-7.5	-9.2	5.3	5.3		
Housing commissioning	3MMA, % YoY	5.9	-5.9	-17.3	12.7	-18.1	25.7	-3.3	-3.3	0.3	
Retail	3MMA, % YoY	1.1	-4.4	-13.9	-2.9	-4.5	-0.1	2.6	2.6		
Commercial services	3MMA, % YoY	0.2	-11.6	-28.5	-10.8	-6.9	-0.5	-3.0	-3.0		
Real wages	3MMA, % YoY	2.4	2.0	-0.2	2.0	1.1	5.6				
Real disposable income	% YoY	1.2	-2.7	-4.8	-4.5	-3.7	-3.3				
Outstanding consumer loans	% YoY	17.6	7.1	10.3	7.8	7.1	7.3	16.2	16.2	16.8	
Outstanding mortgage loans	% YoY	14.9	19.7	11.9	17.6	19.7	21.4	26.2	26.2	26.0	
Non-financial institutions' outstanding bank loans	% YoY	-3.6	3.5	5.0	-0.3	3.5	2.0	6.6	6.6		
• Large borrowers	% YoY	-4.0	-2.5	4.5	-6.5	-2.5	-3.6	2.1	2.1		
• SMEs	% YoY	-2.2	24.3	6.8	22.5	24.3	22.4	21.5	21.5		
Companies' price expectations	Balance of responses, SA	11.4	18.5	15.1	22.1	18.9	25.1	32.6	32.6	30.1	30.9
Business Climate Index	pp YoY	1.6	-9.7	-17.2	-2.6	-6.6	11.4	19.3	9.1	1.3	
• Current estimates	pp YoY	0.6	-10.1	-23.7	-2.0	-4.9	8.6	27.2	16.9	2.8	
• Expectations	pp YoY	2.7	-8.9	-9.7	-3.2	-8.4	14.2	10.3	0.4	-0.3	

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

Core indicators. Southern Main Branch

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	2.8	5.4	3.3	3.8	5.4	6.6	7.3	7.3	7.1	
Core inflation	% YoY	3.2	4.2	3.0	3.4	4.2	5.6	6.7	6.7	6.8	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	3.5	-0.1	-3.3	0.3	-0.9	6.4	4.5	4.5	3.8	
Fixed capital investment	Cumulative, % YoY	-5.1	1.2	1.7	3.0	1.2	17.5				
Construction	3MMA, % YoY	0.4	0.2	-6.1	8.5	-1.6	0.4	-2.3	-2.3		
Housing commissioning	3MMA, % YoY	7.3	5.9	-11.3	5.8	13.3	10.7	21.0	21.0	24.0	
Retail	3MMA, % YoY	2.0	-3.2	-21.7	0.0	1.2	6.4	7.0	7.0		
Commercial services	3MMA, % YoY	-0.9	-8.4	-36.5	-1.0	-2.1	6.8	6.3	6.3		
Real wages	3MMA, % YoY	2.7	1.9	0.9	0.2	0.8	5.3				
Real disposable income	% YoY	0.6	-1.9	-11.8	-0.1	-1.3	-3.7				
Outstanding consumer loans	% YoY	19.8	7.5	11.5	8.6	7.5	7.2	15.6	15.6	16.6	
Outstanding mortgage loans	% YoY	19.5	23.7	16.8	21.5	23.7	26.5	32.0	32.0	32.2	
Non-financial institutions' outstanding bank loans	% YoY	4.5	3.6	2.7	3.4	3.6	3.5	10.7	10.7		
• Large borrowers	% YoY	3.9	0.3	0.1	0.4	0.3	0.0	9.5	9.5		
• SMEs	% YoY	6.4	13.9	10.5	13.4	13.9	14.0	14.2	14.2		
Companies' price expectations	Balance of responses, SA	8.6	14.9	14.7	14.7	17.6	16.9	20.4	21.8	20.6	21.4
Business Climate Index	pp YoY	0.9	-7.2	-14.4	-1.4	-5.1	12.5	16.7	3.8	3.0	
• Current estimates	pp YoY	-0.4	-8.7	-24.6	-0.2	-3.9	9.4	28.0	11.6	2.9	
• Expectations	pp YoY	2.2	-5.3	-2.3	-2.6	-6.2	15.8	3.4	-4.8	3.1	

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

Core indicators. Ural Main Branch

		2019	2020	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	June	Jul	Aug
Inflation	% YoY	3.1	4.4	3.0	3.4	4.4	5.2	6.1	6.1	6.1	
Core inflation	% YoY	3.0	4.0	2.6	3.0	4.0	5.0	6.3	6.3	6.5	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	5.1	-1.6	-4.4	-4.8	-1.1	2.5	4.9	4.9	4.9	
Fixed capital investment	Cumulative, % YoY	-3.0	1.5	11.9	5.9	1.5	-0.9				
Construction	3MMA, % YoY	-6.2	6.4	3.0	15.7	-12.0	4.6	-0.7	-0.7		
Housing commissioning	3MMA, % YoY	8.3	2.9	-15.3	14.5	-5.1	19.9	27.7	27.7	27.5	
Retail	3MMA, % YoY	1.5	-4.1	-13.2	-2.9	-4.2	0.2	2.2	2.2		
Commercial services	3MMA, % YoY	-0.1	-15.8	-33.0	-19.3	-10.3	-2.5	-3.5	-3.5		
Real wages	3MMA, % YoY	1.9	2.1	0.5	1.6	1.8	4.6				
Real disposable income	% YoY	1.3	-3.9	-6.2	-6.7	-4.1	-3.8				
Outstanding consumer loans	% YoY	17.7	7.8	11.2	8.9	7.8	8.1	16.1	16.1	16.3	
Outstanding mortgage loans	% YoY	14.2	17.8	11.4	16.5	17.8	19.4	24.5	24.5	24.0	
Non-financial institutions' outstanding bank loans	% YoY	6.9	3.9	4.0	6.6	3.9	2.3	10.4	10.4		
• Large borrowers	% YoY	7.0	1.1	2.6	3.9	1.1	-0.6	7.7	7.7		
• SMEs	% YoY	6.0	26.0	14.8	27.3	26.0	26.2	29.7	29.7		
Companies' price expectations	Balance of responses, SA	11.5	14.6	14.2	15.0	18.1	17.4	24.1	26.0	28.6	30.1
Business Climate Index	pp YoY	2.0	-9.5	-15.7	-4.2	-7.3	11.7	17.2	5.7	3.3	
• Current estimates	pp YoY	1.1	-8.2	-19.2	-1.0	-3.8	9.7	24.2	10.6	3.1	
• Expectations	pp YoY	2.8	-10.7	-11.7	-7.5	-10.8	13.5	9.3	0.3	3.5	

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

Core indicators. Siberian Main Branch

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	3.7	4.9	3.4	3.8	4.9	5.8	6.8	6.8	7.0	
Core inflation	% YoY	3.3	4.4	3.0	3.4	4.4	5.2	6.6	6.6	7.0	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	2.0	-3.7	-5.5	-4.4	-3.3	-3.6	-4.3	-4.3	-3.7	
Fixed capital investment	Cumulative, % YoY	7.8	1.9	2.4	-0.5	1.9	11.1				
Construction	3MMA, % YoY	6.8	-6.0	-11.2	-8.4	4.4	6.0	9.8	9.8		
Housing commissioning	3MMA, % YoY	4.6	0.4	-30.0	21.3	-2.5	26.2	11.9	11.9	-6.0	
Retail	3MMA, % YoY	2.7	-4.1	-11.1	-3.4	-4.7	1.4	3.0	3.0		
Commercial services	3MMA, % YoY	0.6	-12.8	-27.4	-12.2	-8.5	-1.9	-3.0	-3.0		
Real wages	3MMA, % YoY	2.4	2.7	1.9	2.7	1.9	4.8				
Real disposable income	% YoY	0.8	-2.4	-3.0	-2.9	-3.3	-3.7				
Outstanding consumer loans	% YoY	15.9	9.1	11.6	9.3	9.1	9.8	18.0	18.0	18.8	
Outstanding mortgage loans	% YoY	15.8	18.9	12.5	18.0	18.9	20.8	26.3	26.3	26.2	
Non-financial institutions' outstanding bank loans	% YoY	3.8	5.2	8.2	11.0	5.2	-2.1	-3.1	-3.1		
• Large borrowers	% YoY	2.0	1.8	7.9	9.0	1.8	-7.6	-9.3	-9.3		
• SMEs	% YoY	12.4	19.5	9.7	20.4	19.5	23.6	25.7	25.7		
Companies' price expectations	Balance of responses, SA	8.6	15.7	16.7	15.2	18.3	18.1	26.2	27.5	27.2	28.8
Business Climate Index	pp YoY	1.8	-7.2	-13.4	-2.8	-5.9	10.7	15.8	2.3	2.0	
• Current estimates	pp YoY	2.6	-8.4	-19.8	-3.0	-5.5	8.0	22.5	5.9	1.5	
• Expectations	pp YoY	0.9	-5.7	-6.1	-2.5	-6.2	13.6	8.0	-1.8	2.6	

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

Core indicators. Far Eastern Main Branch

		2019	2020	2020	2020	2020	2021	2021	June	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	3.8	5.0	3.7	3.9	5.0	5.3	5.4	5.4	5.7	
Core inflation	% YoY	3.3	3.9	3.1	3.5	3.9	4.6	4.9	4.9	5.3	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	6.3	-4.7	-7.8	-10.8	-0.9	-0.5	0.8	0.8	-1.0	
Fixed capital investment	Cumulative, % YoY	8.2	-15.2	-15.8	-18.6	-15.2	-15.3				
Construction	3MMA, % YoY	37.0	-12.5	-17.1	-26.0	8.1	-18.1	-24.9	-24.9		
Housing commissioning	3MMA, % YoY	8.6	3.4	3.8	17.4	-1.5	11.2	19.0	19.0	25.6	
Retail	3MMA, % YoY	3.9	-2.7	-13.0	-1.6	-0.5	6.7	6.9	6.9		
Commercial services	3MMA, % YoY	-2.1	-17.9	-38.0	-15.9	-13.9	-6.8	-17.3	-17.3		
Real wages	3MMA, % YoY	3.3	1.4	0.6	-0.2	0.5	6.3				
Real disposable income	% YoY	2.2	-2.4	-4.2	-4.1	-3.2	-0.7				
Outstanding consumer loans	% YoY	16.7	9.2	11.9	9.7	9.2	9.7	17.0	17.0	17.9	
Outstanding mortgage loans	% YoY	20.2	23.8	18.7	22.7	23.8	25.1	30.2	30.2	30.8	
Non-financial institutions' outstanding bank loans	% YoY	29.9	32.2	29.7	30.0	32.2	34.0	38.2	38.2		
• Large borrowers	% YoY	27.4	32.7	25.2	25.3	32.7	37.7	42.9	42.9		
• SMEs	% YoY	40.2	30.4	47.0	49.1	30.4	21.0	22.6	22.6		
Companies' price expectations	Balance of responses, SA	9.0	14.3	16.3	13.8	14.5	15.2	19.1	20.8	18.7	18.3
Business Climate Index	pp YoY	1.2	-7.5	-10.2	-4.1	-7.3	6.7	12.0	2.3	2.6	
• Current estimates	pp YoY	1.1	-9.1	-16.7	-4.4	-8.1	4.6	18.2	7.3	6.1	
• Expectations	pp YoY	1.4	-5.8	-2.9	-3.6	-6.4	9.0	5.1	-3.3	-1.1	

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