



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

15 September 2021

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (AUGUST 2021)

- The average spread between RUONIA and the Bank of Russia key rate amounted to -9 bp during the August averaging period (-14 bp year to date).
- In August, the overall effect of operations in budget accounts was close to neutral. At the same time, as of the beginning of September, the liquidity surplus fell as compared to the beginning of the previous month due to more uniform averaging of required reserves by banks.
- The liquidity surplus forecast for the end of 2021 remains at the level of 0.8–1.4 trillion rubles.
- The foreign currency liquidity did not change much. The spread between interest rates in FX swap and RUONIA (basis) segments was still predominantly negative.
- From early July to late August, the middle and long ends of the swap curve (1Y+) did not change much reflecting stable key rate expectations in mid-term. Given the actual increase in July, the interest rate swaps with up to 1Y maturities went up as the date of the Bank of Russia Board meeting scheduled for September drew nearer.
- The yield curve of federal government bonds (OFZ) rose in August for all maturities except 1Y, which is partly due to higher yields in the USA. Nevertheless, long OFZ yields have been stable since March 2021 with foreign investors demonstrating higher appetite for Russian government bonds for the second month in a row.
- Deposit rates continued to rise in July–August gradually catching up with improving money market rates and bond yields. In July, the inflow of households' funds into banks was predominantly ensured by current accounts.
- Corporate borrowers were still building up their loan portfolios despite higher loan pricing. Retail lending stopped expanding mainly as a result of the changes made in the government-subsidised mortgage loans for new build.
- The annual growth of money supply in national definition was 8.6%. It slowed down again largely due to a reduced contribution of fiscal operations in the money supply dynamics.

LIQUIDITY AND OVERNIGHT RATES (RUONIA)

In the August required reserve (RR) averaging period (AP), the spread between RUONIA¹ (Bank of Russia operational benchmark) and the Bank of Russia key rate² widened to **-9 bp** (in the July AP: -6 bp; year to date: -14 bp; in 2020: -15 bp) (Chart B-1-2). The spread volatility dropped to **13 bp** (in the July AP: 37 bp; year to date: 22 bp; in 2020: 18 bp).

The structural liquidity surplus averaged **1.2 trillion rubles** over the August AP (vs 1.4 trillion rubles in the July AP). As of early September, the liquidity surplus declined by 0.9 trillion rubles to **0.8 trillion rubles** vs early August (Table 2).

At the beginning of AP, RUONIA was growing driven by a temporary reduction in the budgetary funds placements under the operations of the Federal Treasury (FT) and a liquidity outflow after PJSC Gazprom³ transferred some part of its dividends to the budget. Also, RUONIA was pushed upwards by a sustainable liquidity demand from some participants that tended to regularly borrow funds at a rate close to the key rate. On certain days, the portion of borrowings of such participants in the total volume of operations increased owing to a reduction in liquidity demand from large borrowers that, in contrast, normally borrowed funds at a rate below the key rate. As a result, RUONIA was shaping close to the rates of operations made by those participants who borrowed funds with a minimum negative spread to the key rate.

In the second half of AP, RUONIA rose again owing to an outflow of liquidity on the major tax payment dates. Despite a slight decline in VAT payments vs the 2019 base, the amount of tax payments principally increased. This was mainly prompted by larger amounts of profit tax and MET revenues vs both the 2020 and 2019 bases (Chart 2). By 31 August, the spread between RUONIA and the key rate had returned to the negative area in line with the liquidity inflow driven by budget spending. On the last days of AP, RUONIA fell as banks had largely completed the RR averaging and the Bank of Russia held two fine-tuning deposit auctions to sustain RUONIA close to the key rate.

In August, the overall impact of budget account operations was close to neutral. The outflow of funds prompted by tax and dividend payments to the budget, a reduction in debt on FT operations and fund raising by the Ministry of Finance of the Russian Federation (MinFin) at OFZ placement auctions, was offset by the liquidity inflow into banks driven by the budget spending: money transfers to banks for subsequent one-off payments and fiscal rule-based FX purchases by the MinFin in the domestic market, among other things.

In August, the amount of cash in circulation changed slightly. However, the similar periods of previous years predominantly saw an outflow of liquidity from this source. All in all, liquidity factors led to its small outflow from the banking sector in August. A decline in the structural surplus in early September was prompted by more uniform RR averaging by banks as compared to the previous AP since the averaging path in the August AP was not impacted by banks' expectations of any change in the key rate.

The forecast of the structural liquidity surplus for the end of 2021 remains at the level of 0.8–1.4 trillion rubles.

¹ RUONIA (Ruble Overnight Index Average) is the weighted interest rate of overnight interbank loans (deposits) in rubles that reflects the estimated cost of unsecured overnight borrowing.

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

³ [As per information of PJSC Gazprom press centre.](#)

MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

OIS (ROISfix) curve.⁴ The short end of the curve (up to 2 weeks) hardly changed over the month with 1 month to 6 month quotes going up by 18 bp to 22 bp (Chart 5). **The MosPrime 3M – OIS 3M spread** averaged 58 bp in August (vs 46 bp in July; 53 bp in 2021 H1) ranging from 48 bp to 65 bp during the month. The spread volatility was mainly connected with a stickiness in MosPrime movements against the backdrop of OIS 3M volatility observed during the month.

IRS curve.⁵ The IRS curve did not change much in July–August reflecting stable key rate expectations in the medium and long terms. The curve fluctuations within the said period were largely conditioned on the revaluation of factors affecting yields, including a possible downward revision of the inflation target range by the Bank of Russia (based on the findings of the Review of Monetary Policy to be completed next year), and global rate expectations.

The expectations of analysts surveyed by Bloomberg and Refinitiv as well as of market participants changed insignificantly: they still anticipate for the key rate to stay in the range of 6.75% to 7.00% in the last quarter of this year (Table 1).

THE KEY RATE EXPECTATIONS OF ANALYSTS AND MARKET PARTICIPANTS DID NOT CHANGE MUCH.

Table 1

Expectations based on market indicators,* interest rate (instrument)	December 2021	June 2022
– MosPrime 3M (FRA)	6,97 (6,79)	6,88 (6,78)
– RUONIA (ROISfix)	7,08 (7,01)	7,11 (7,13)
– RUONIA (futures)	6,95 (6,95)	6,95 (6,95)
Analysts' key rate expectations*	As of 31.12.2021	As of 30.06.2022
– Bloomberg survey	7,00 (7,00)	6,50 (6,50)
– Refinitiv survey	7,00 (7,00)	6,63 (6,75)

* Values are given as of the end of the current and previous months (in brackets).
Source: Bank of Russia calculations.

⁴ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

⁵ The IRS curve represents market prices for interest rate swaps against MosPrime 3M.

PUBLIC DEBT MARKET

OFZ yield curve. The OFZ yield curve rose for all maturities but 1Y (Chart 9): OFZ 1Y – 6.57% (-2 bp), OFZ 2Y – 6.75% (+5 bp), OFZ 5Y – 6.90% (+11 bp), OFZ 10Y – 7.12 bp (+19 bp). Growth of the OFZ yield curve was predominantly connected with rising yields on the US Treasuries prompted by expectations of an earlier tightening of the US Fed monetary policy. Despite the growing OFZ yields, in late August, the curve for 3Y+ maturities was 15–25 bp below the July highs as the market was expecting a more moderate tightening of the monetary policy following the Bank of Russia Board meeting in July. In general, long OFZ yields have been stable since March 2021, in particular, OFZ 10Y yields were in the range of 6.8–7.2% per annum.

The slope of the OFZ curve (10Y – 2Y) comprised 35 bp (vs 23 bp in July) due to stronger growth in the yields of long-term issues, and stayed close to its multi-year lows.

US long-term yields. The US Treasuries market situation was rather volatile in August. On the one hand, some part of macrostatistics (labour market, inflation) suggested a prompt recovery of the economy and a possibility of an earlier reduction of stimulus measures. On the other hand, sharply deteriorated consumer sentiment (as per the University of Michigan Consumer Sentiment Index) and the situation in the manufacturing industry (as per the NY Empire State Manufacturing Index) forced investors to doubt the earlier tightening of the monetary policy. Statements by the US Fed representatives did not make the situation more certain. As a result, the yields of 10Y US Treasuries changed dramatically over the month and did grow by 10 bp as of the month-end. This affected the Russian papers as well, however, the OFZ yields spread to the US Treasuries changed slightly as of the end of month.

Foreign investors continued to build up their OFZ holdings. Over the month, they increased their portfolio by 176 billion rubles (vs 169 billion rubles in July) with the total investment amount reaching 3,225 billion rubles, which is a record high in absolute terms. The portion of non-residents in the entire market was above 20% but still much below 2018–2019 levels.

The volume of OFZ placement showed a dramatic growth in August. Over the month, MinFin borrowed 419 billion rubles at a nominal value (vs 156 billion rubles in July) which is the highest since April 2021. The entire amount was raised through OFZ-PD placement with more than a half (54%) of it bought by Russian banks. The portion of foreign investors participating in the auctions went up to 24.5% (vs 22% in July).

Situation in other financial markets

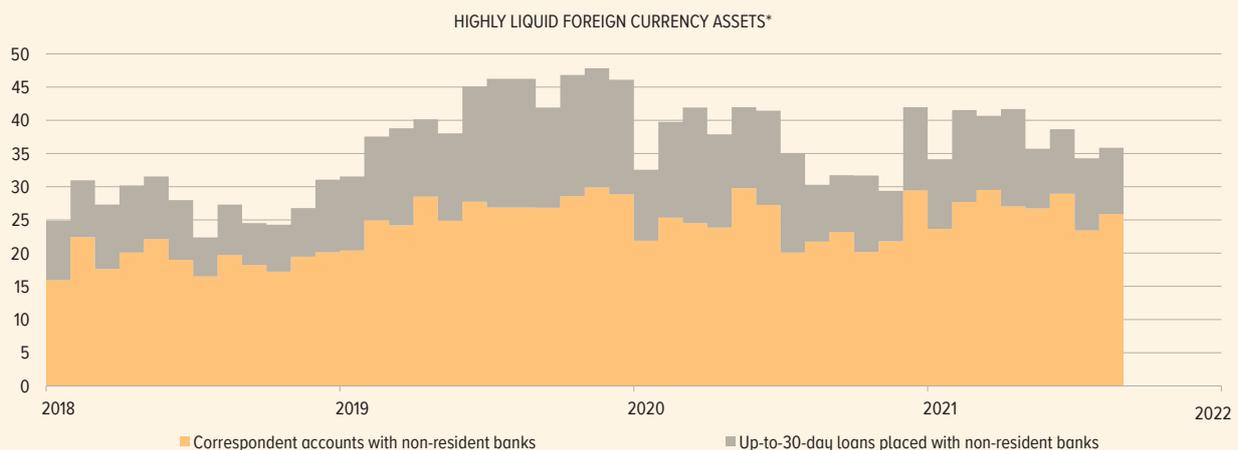
Foreign currency liquidity. In August, the situation with foreign currency liquidity did not change much. The amount of highly liquid foreign currency assets rose by 1.6 billion US dollars vs July (Chart B-1-1). The spread between the rates in FX swap and RUONIA (basis) segments continued to stay mostly in the negative territory ranging from -35 bp to -2 bp and averaged -18 bp (in the July AP: -16 bp; year to date: -6 bp; in 2020: -17 bp) (Chart B-1-2). The spread has been negative since May that is partly explained by an expansion of non-residents' long ruble positions in the FX swap market that were still elevated in August.

Foreign exchange market. Like in July, the RUB/USD exchange rate hardly changed in August. It was 0.1% down to 73.57 rubles per US dollar. The exchange rate appreciated by 30 kopecks (0.41%) vs early January. In August, the rate fluctuated in the range from 72.79 to 74.36 rubles per US dollar (Chart B-1-3). Russia 5Y CDS fell to 80 bp for the first time since December 2020. The ruble was 0.1% up against the euro and 0.4% down against the Chinese yuan.

Data on FX purchases in stock exchange and OTC markets show that foreign investors kept on buying foreign currency but in the amounts twice as small as in July (Chart B-1-5) making the average rate of exchange stronger in August.

THE AMOUNT OF HIGHLY LIQUID FOREIGN CURRENCY ASSETS INCREASED
(AS OF 1 AUGUST)
(BILLIONS OF US DOLLARS)

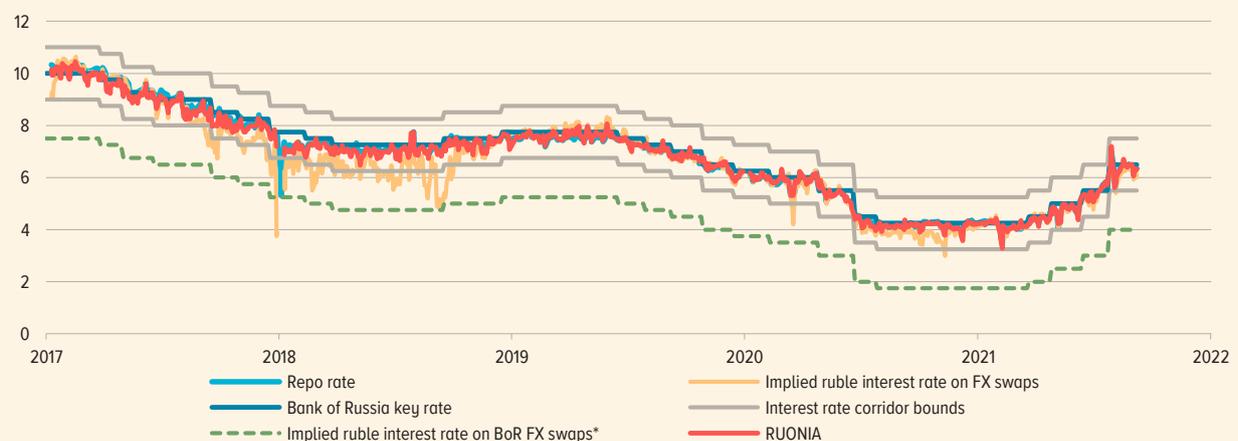
Chart B-1-1



* Excluding cash foreign currency in credit institutions cash desks.
Source: Bank of Russia calculations.

THE INTEREST RATE SPREAD IN THE FX SWAP AND IBL (BASIS) SEGMENTS WAS NEGATIVE
(% P.A.)

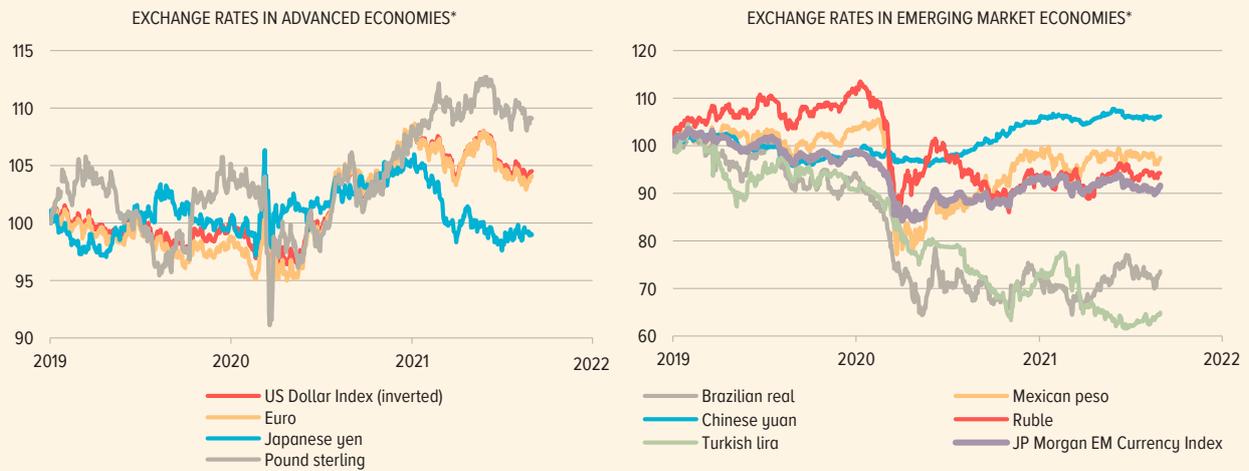
Chart B-1-2



* Implied rate on BoR reverse FX swap = ruble lending rate – foreign currency borrowing rate + LIBOR (from 19.12.2016: key rate – 1 pp - (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).
Source: Bank of Russia calculations.

IN AUGUST, THE RUBLE FLUCTUATED CO-DIRECTIONALLY WITH OTHER EME CURRENCIES (02.01.2019 = 100)

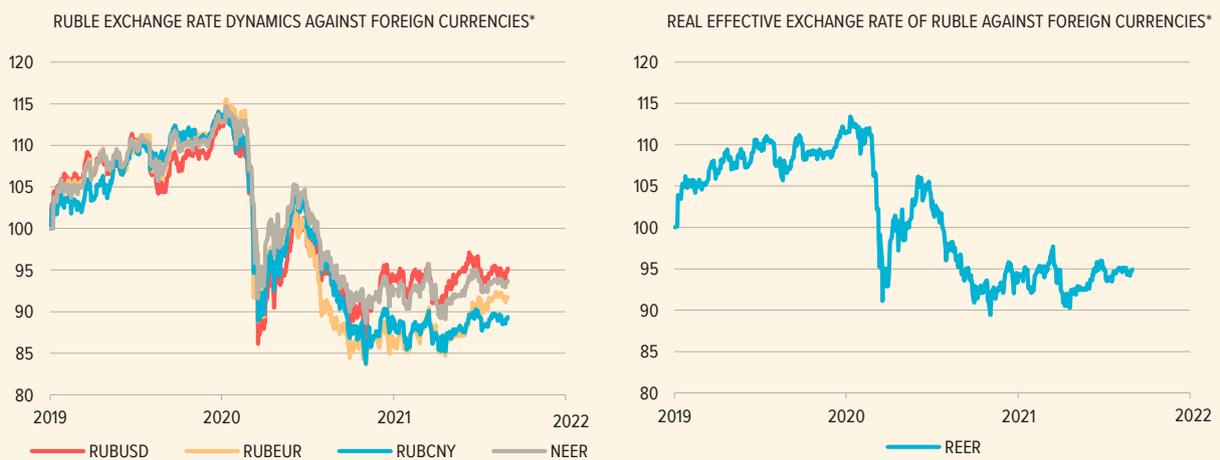
Chart B-1-3



* Against the US dollar. Reverse exchange rates.
 Sources: Bloomberg, Bank of Russia calculations.

THE REAL EFFECTIVE RUBLE EXCHANGE RATE DID NOT CHANGE MUCH OVER THE MONTH (02.01.2019 = 100)

Chart B-1-4

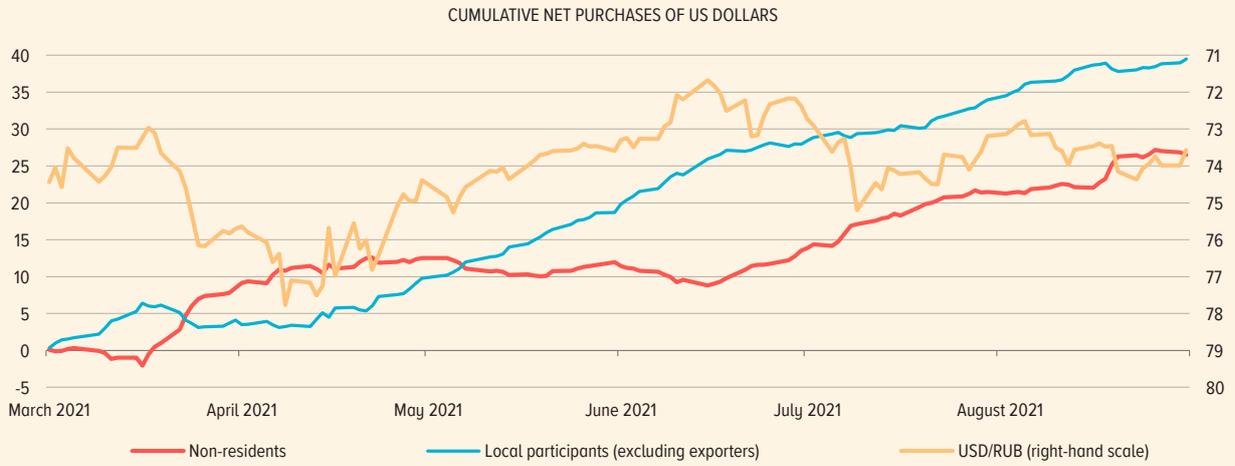


* The ruble's nominal and real effective exchange rates (NEER and REER, respectively) are calculated using market exchange rates of currencies and recent available monthly inflation data
 Sources: Bloomberg, Bank of Russia calculations.

Equity market. In August, the Russian equity market resumed growth after the July negative movements. The MOEX index was up 3.9%, which is a new record high, RTS index added 3.6% ending the month at its highest level since 2012. The MSCI EM index grew by 2.4% over this period (Chart B-1-6). A weaker performance of the index as compared to the Russian market is explained by a continuous downturn in the Chinese market as a result of the toughening regulation of high-tech sector. The MSCI China index plummeted by 13.0% while the S&P index surged by 20.4% year to date.

NON-RESIDENTS REDUCED THEIR FOREIGN CURRENCY PURCHASES AS COMPARED TO JULY

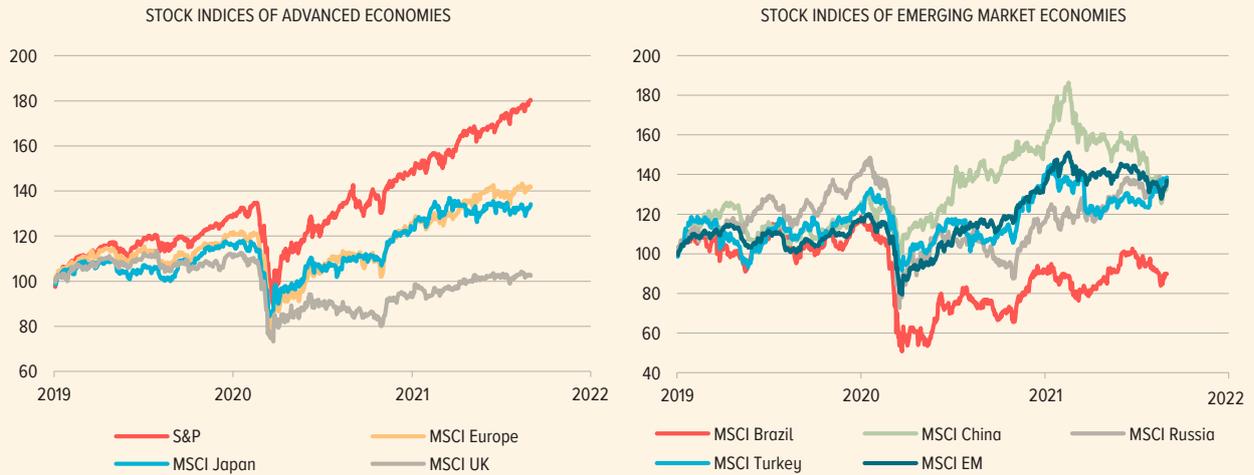
Chart B-1-5



Sources: PJSC Moscow Exchange, Bank of Russia calculations.

STOCK INDICES OF MOST COUNTRIES GREW
(02.01.2019 = 100)

Chart B-1-6



Sources: Bloomberg, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. In July–August, deposit rates continued to go up in line with the rising money market rates and OFZ yields on the back of the Bank of Russia key rate rise. Deposit rates demonstrated catching-up growth. For example, OFZ rates surged as early as in mid-July reflecting the market participants' expectations of monetary policy tightening. However, banks accelerated their deposit rates raising noticeably no sooner than in August.

Average market rates for retail deposits in rubles rose considerably in July vs June: short-term deposit rate¹ was 21 bp up to 3.6% per annum; long-term deposit rate grew by 38 bp to 5.1% (Chart 13).

In turn, leading indicators evidenced a further rise in deposit rates in August. FRG100 deposit return index² was 5.5% per annum at the end of August vs 5.1% at the end of July (Chart 12).

Ruble deposit rates will retain their growth potential for the next few months. However, the pace of such growth will depend on how banks will be managing their cost of funding, as well as on inflation dynamics and expectations, and monetary policy decisions.

In July, average market rates for FX deposits remained close to their record lows. As opposed to savings in foreign currency, the savings in rubles will be getting more attractive backed up by further rising rates and a gradual slowdown of consumer price growth.

Deposit operations. Gradual stabilisation of the consumer price growth rate has not yet impacted the downturn of households' inflation expectations.³ As a result, the inflow of households' funds into banks⁴ remained slow: annual growth in retail deposits⁵ accounted for 3.1% in July vs 2.7% in June (Chart 14). Besides, private investors showed persistent appetite for alternative saving tools. Households' investments into real estate kept on going up: in July, the monthly increase in escrow accounts balances amounted to 179 billion rubles, the total amount of balances in such accounts exceeded 2.3 trillion rubles. Private investors were still attracted to the securities market: in July, the number of individuals holding brokerage accounts approached 13 million⁶.

In July, the inflow of households' funds to banks was predominantly ensured by current accounts. Moreover, smoothly rising deposit rates moderated the outflow of funds from household deposits: the annual rate of reduction in short-term deposits declined from 15.0% in June to 13.9% in July. There was a persistent inflow of funds into 3-year and longer deposits in rubles. The keener interest of retail customers in current accounts rather than in short-term deposits is conditioned on an aggressive offering of savings accounts with comparable interest rates and COVID-related uncertainty. However, the ongoing reduction of epidemic risks and gradual improvement of real yields in rubles as long as inflation gets settled close to the target, and rising deposit rates will boost further recovery of households' demand for the time deposits.

¹ 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.

² The average interest rate of the 54 largest banks on deposits for up to one year in the amount of 100,000 rubles and more, [according to the Frank RG news agency](#).

³ Information and analytical material of the Bank of Russia [Inflation Expectations and Consumer Sentiment](#), August 2021.

⁴ Hereinafter, household deposits include balances in time deposits, demand deposits, and current accounts but exclude balances in escrow accounts under equity construction agreements.

⁵ 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.

⁶ According to data of PJSC Moscow Exchange. [As per Bank of Russia estimate](#), the net inflow of households' funds to the securities market is generally sustained as well.

In July, annual growth in retail FX savings slowed down by 0.2 pp to 3.3%. A slight increase in the portion of FX deposits from 20.7% in June to 20.8% in July stemmed from the nominal devaluation of the ruble.

Credit rates. In June–August, ruble credit rates continued to grow mirroring the recent key rate increase, better OFZ yields, and higher cost of funding. However, the disbursement of subsidised loans was still an important factor determining the scope of changes in pricing in some lending segments.

In July, the average market rates on short-term corporate facilities rose by 56 bp up to 7.2% per annum. This was prompted by changes in loan pricing for large corporates and SMEs. The average market rate on long-term loans for non-financial institutions increased slightly (Chart 13).

In the retail segment, July saw a comparable rise in short-term and long-term rates – to 13.8% and 10.8%, respectively. Reviving upwards trends in 1Y+ retail loans pricing primarily stemmed from an increase in the average market rate on housing mortgage loans in rubles from 7.07% in June to 7.67% in July (the highest rise since May 2020). This was supported by a slight raise of standard mortgage loan rates by banks and a larger share of the secondary segment in the total market sales. After the conditions of subsidised mortgage loans for new build were amended, the activity in the segment of loans against the pledge of ECAs slackened, however, the rates on such facilities were up 75 bp to 6.23%. In July, the long-term loan rates continued to rise smoothly also in the car and consumer lending.

According to the recent monitoring,⁷ in August, the rates on unsubsidised mortgage loans continued to rise. By the end of the month, they had grown by 0.1 pp both in the primary and secondary housing markets (Chart 12).

In near term, one can expect further growth in the rates on both corporate and retail loans. Notably, such growth will be more evident in the segment of up to one year loans owing to the actual and anticipated tightening of the monetary policy by the year-end. Growth in long-term retail loan rates may be somewhat curbed by the family mortgage lending scheme (as it now covers families with one child and offers bigger lending limits) and a retaining tough competition between banks for good borrowers and an opportunity to hedge their interest rate risks arising from long-term assets (despite the increase in rates on subsidised mortgage loans for new build, the offered rate under this programme stayed close to 6%⁷ in August).

Corporate lending. In July, the companies' appetite for loans remained high in spite of the continuous rise in the cost of borrowings. By the end of July, the annual growth of non-financial institutions⁸ loan portfolio amounted to 9.8%, which is close to the previous month level and the highest figure since early 2015 (Chart 15) amid the absence of sustainable growth in the real loan rates, persistent expectations of a further loan rates rise in nominal terms, existing stimulus measures for some categories of borrowers, and recovery of economic activity. However, the portion of overdue debts reduced substantially from 7.2% to 6.4% due to a one-off restructuring of bad debts.

The main contributor to the annual growth of non-financial institutions loan portfolio was long-term lending in rubles: in July, the annual growth accelerated by 1.7 pp to 16.8%. Companies still preferred to avoid foreign currency risks: by the end of month, the growth of loans in foreign currency was still slower than that of loans in rubles and comprised 1.9% in annualised terms vs 4.2% in June.

The SME loan portfolio grew faster than other corporate loans thanks to good loan rates, special lending programmes offered to SMEs, and overall growth of economic activity. As of early July,

⁷ According to the weekly monitoring of market rates offered in the mortgage market [published by DOM.RF](#).

⁸ Hereinafter, growth of corporate lending does not include acquired claims.

annual growth of the SME loan portfolio⁹ reached its record 32.1%¹⁰. Furthermore, the expansion of large corporate loans slightly slowed down in annualised terms – from 6.8% in early June to 6.7% in early July, which could have been offset by borrowings in the bond market. Non-financial issuers' bond portfolio¹¹ continued to rise in June–July and reached 10.1 trillion rubles as of early August that is 16.2% more than a year ago.

In the next few months, activity in corporate lending will be developing under the influence of a rising demand for corporate loans and a gradual toughening of loan pricing (Chart 17).

Retail lending. In July, the activity of retail loan market participants was slightly slower though households' demand for loans remained high. The demand was boosted by accommodative monetary conditions in real terms, expectations of future pickup in loan rates, and seasonality related to the holiday period and school preparations. Retail lending growth was curbed by the revision of the parameters of subsidised mortgage loans for new build¹² (smaller maximum loan amount and higher pricing) and macroprudential regulation measures taken in the unsecured consumer lending segment (return to risk weights that were applicable before the pandemic).

Driven by these factors, the annual growth of retail loan portfolio¹³ came in at 21.7% at the end of July vs 21.6% a month earlier (Chart 15). Both mortgage and consumer lending made comparable contributions into retail lending growth (Chart 16).

After the updated conditions of subsidised mortgage loans for new build came into effect, the mortgage lending saw some decline in the activity of the primary segment (the share of loans against the pledge of ECAs in the total market sales over the month reduced from 39% to 25%). However, households' demand partly shifted to the secondary market. As a result, the value of mortgage loan advances shrank compared to the June peaks but remained high. In July, 151,000 new loans were issued totalling 433 billion rubles. By the end of July, the mortgage portfolio growth¹⁴ had slowed down by as little as 0.3 pp in annualised terms to 28.7%. Mortgage lending growth is also supported by the development of mortgage-backed bond market: in late July, the volume of outstanding mortgage-backed bonds¹⁵ comprised 605 billion rubles showing a 23% increase over the past 12 months.

Monthly growth rate of other retail lending segments¹⁶ also slowed down but still remained high. At the end of July, annual growth of unsecured consumer loans was about 18%, car loans – 20%.

The stable level of borrowers' payment discipline continues to sustain the banks' interest in ramping up the retail lending. In July, the share of overdue debts in the retail loan portfolio remained close to the previous month level and came in at 4.3% (Chart 15).

In near term, the potential for further growth of retail loan portfolio will be ensured through retaining the subsidised mortgage lending scheme for new build, expansion of the family mortgage parameters, banks' competition for good borrowers, and ongoing recovery of economic activity. Notably, households' appetite for borrowings will be restrained by a further rise in loan pricing while banks' interest in issuing more unsecured consumer loans will be curbed by the higher risk weights to be in effect from 1 October 2021.

⁹ Including loans issued by VEB.RU.

¹⁰ In July, about 250,000 SMEs lost this status. Their loans were excluded from the SME loan portfolio resulting in its drastic decline. So, the substantial slowdown in the SME portfolio annual growth in July was solely driven by a reclassification effect. Adjusted to the reclassification effect, SME lending kept on growing at a pace comparable with 2021 H1.

¹¹ According to the Cbonds.ru news agency.

¹² Resolution of the Government of the Russian Federation No. 566 dated 23 April 2020.

¹³ Hereinafter, growth of corporate lending does not include acquired claims.

¹⁴ Housing mortgage loans, net of claims on such loans acquired by banks.

¹⁵ At the outstanding face value, according to the Cbonds.ru news agency.

¹⁶ Standard loans grouped into homogeneous loan portfolios.

Money supply. Banks' lending to the Russian economy remains the main source of money supply. Annual growth of the banking system's claims on households continued to rise and reached 20.7% in July. The same indicator for the banking system's claims on businesses also accelerated in July to 10.8% mainly due to non-financial companies. As a result, annual growth of claims on the economy¹⁷ amounted to 13.5% by the end of July showing 0.4 pp growth over the month.

The positive contribution of fiscal operations to the annual change in money supply noticeably decreased due to a rise in the banking system's liabilities to general government. The transfer of savings to escrow accounts excluded from money supply continued to curb money supply expansion. As a result, money supply growth slowed down: the annual increase in M2X edged down to 9.1%, and growth of M2 – to 8.6% (Chart 18).

The contribution of cash to annual growth of money supply continued to decline. Annual growth of the M0 aggregate in July narrowed to 9.5% vs 11% in June.

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

CHARTS AND TABLES

IN AUGUST 2021, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED
(AS OF START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.04.2021	01.07.2021	01.08.2021	01.09.2021
Structural liquidity deficit (+) / surplus (-)	-2,639	-3,016	-2,761	-204	-1,461	-1,454	-1,727	-844
Bank of Russia claims on credit institutions	10	21	18	976	349	154	542	294
Auction-based facilities	-	-	-	847	103	148	148	148
– repos and FX swaps	-	-	-	847	103	148	148	148
Fixed interest rate facilities	10	21	18	129	246	6	393	146
– repos and FX swaps	4	8	13	118	0	0	0	0
– secured loans	5	13	5	10	246	5	393	145
Credit institutions' claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,417	1,941	2,540	1,385
Deposits	2,372	1,902	1,026	1,221	1,772	1,314	1,943	809
– auction-based	2,125	1,478	697	844	1,650	1,191	1,790	700
– fixed interest rate	247	424	330	377	122	123	153	109
BoR coupon bonds	357	1,391	1,956	575	645	626	596	576
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	607	332	271	247

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

Source: Bank of Russia calculations.

THE FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS FOR THE END OF 2021 REMAINS AT THE LEVEL OF 0.8–1.4 TRILLION RUBLES
(TRILLIONS OF RUBLES)

Table 3

	2020 r. (actual)	January – August 2021	August 2021	2021 r. (forecast)
1. Liquidity factors	-2.6	1.5	-0.1	[1.2; 1.7]
– change in the balances of funds in general government accounts with the Bank of Russia, and other operations*	0	1.9	0.0	[1.5; 1.8]
– change in the amount of cash in circulation	-2.6	-0.3	0.0	[-0.2; 0.0]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.1	-	-	-
– regulation of banks' required reserves with the Bank of Russia	-0.1	-0.1	0.0	-0.1
2. Change in free bank reserves (correspondent accounts) *** (demand)	-0.1	0.9	0.8	[0.5; 0.6]
3. Change in banks' claims on deposits with the Bank of Russia and BoR coupon bonds	1.2	-0.4	-1.2	[-0.8; -0.2]
4. Change in outstanding amounts on Bank of Russia refinancing operations	1.4	-1.1	-0.3	-1.4
Structural liquidity deficit (+) / surplus (-)	-0.2	-0.8	-0.3	[-1.4; -0.8]

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

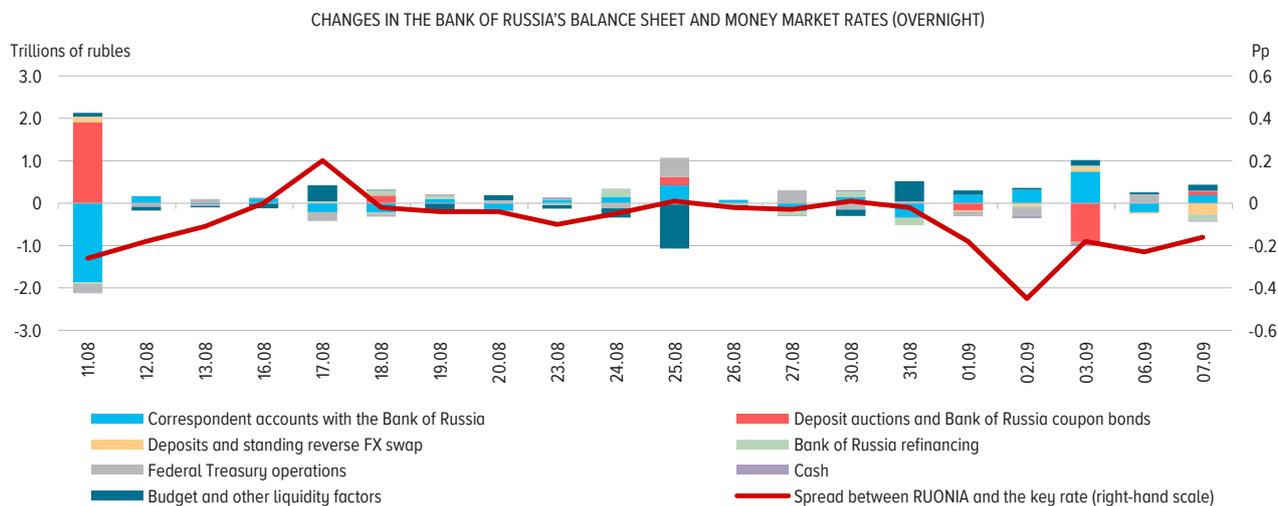
** Forecast values of the indicator are in line with the actual amount of operations conducted.

*** The forecast for the end of the year implies uniform averaging of required reserves by banks and a correspondent account balance close to the required ratio.

Source: Bank of Russia calculations.

IN AUGUST 2021, OPERATIONS OVER THE FISCAL CHANNEL HAD A CLOSE TO NEUTRAL EFFECT ON BANKING SECTOR LIQUIDITY

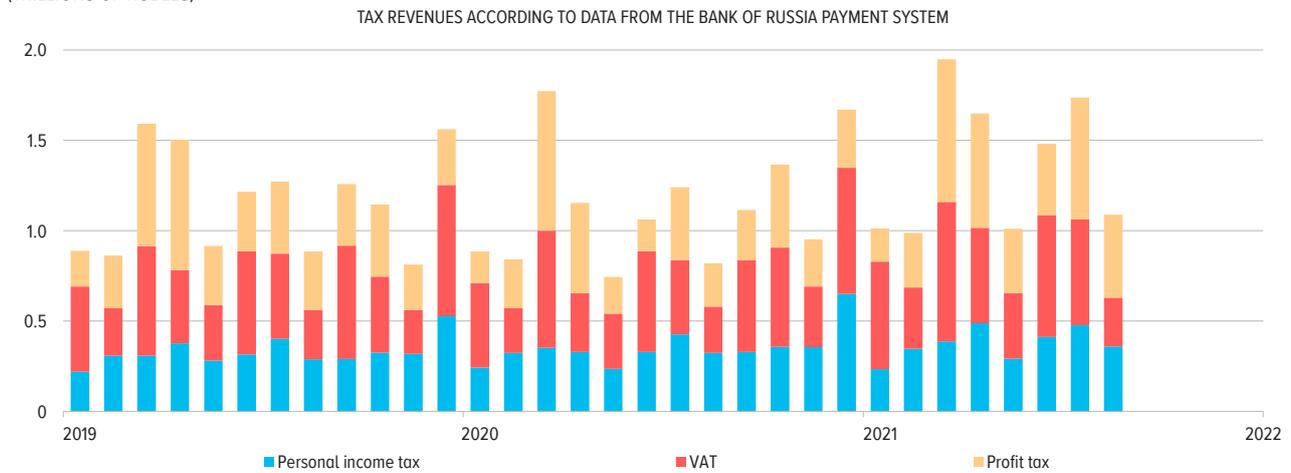
Chart 1



Source: Bank of Russia calculations.

**IN AUGUST 2021, GROWTH OF PERSONAL INCOME TAX AND PROFIT TAX ACCELERATED VS 2019;
VAT PAYMENTS DROPPED SLIGHTLY**
(TRILLIONS OF RUBLES)

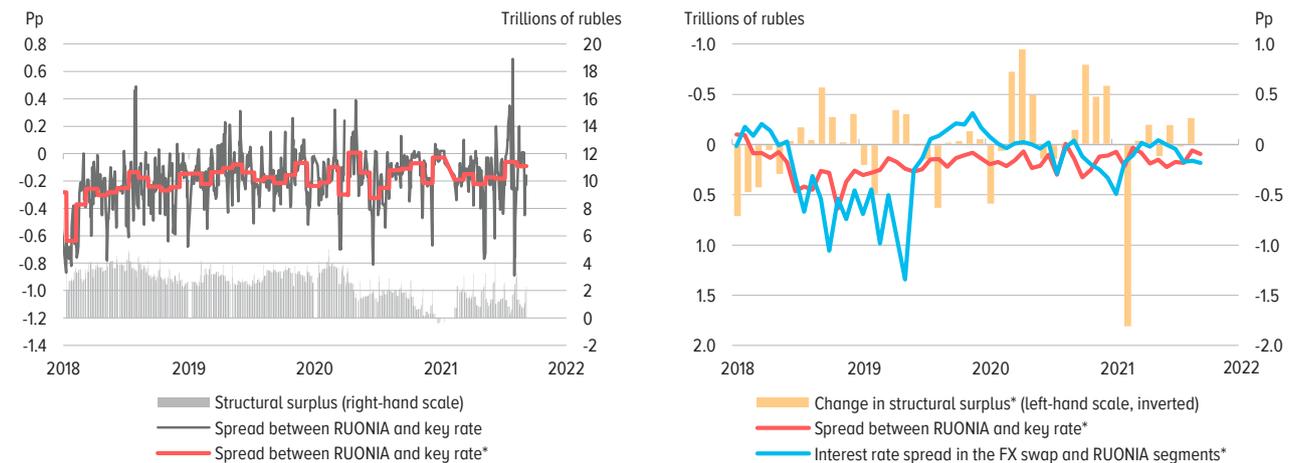
Chart 2



* Funds transfers from credit institutions' accounts to the budget system's accounts with budget classification codes corresponding to the above taxes.
Source: Bank of Russia calculations.

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

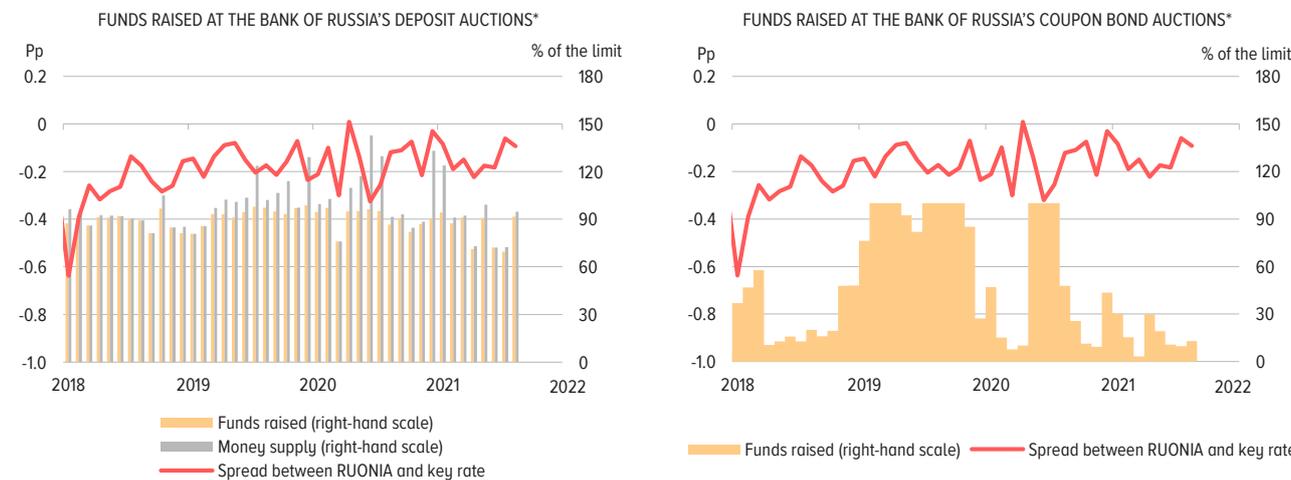
Chart 3



* Average for averaging periods.
Source: Bank of Russia calculations.

**BANKS' OFFER AT THE BANK OF RUSSIA ONE-WEEK DEPOSIT AUCTIONS WAS SOMEWHAT BELOW
THE ESTABLISHED LIMITS**

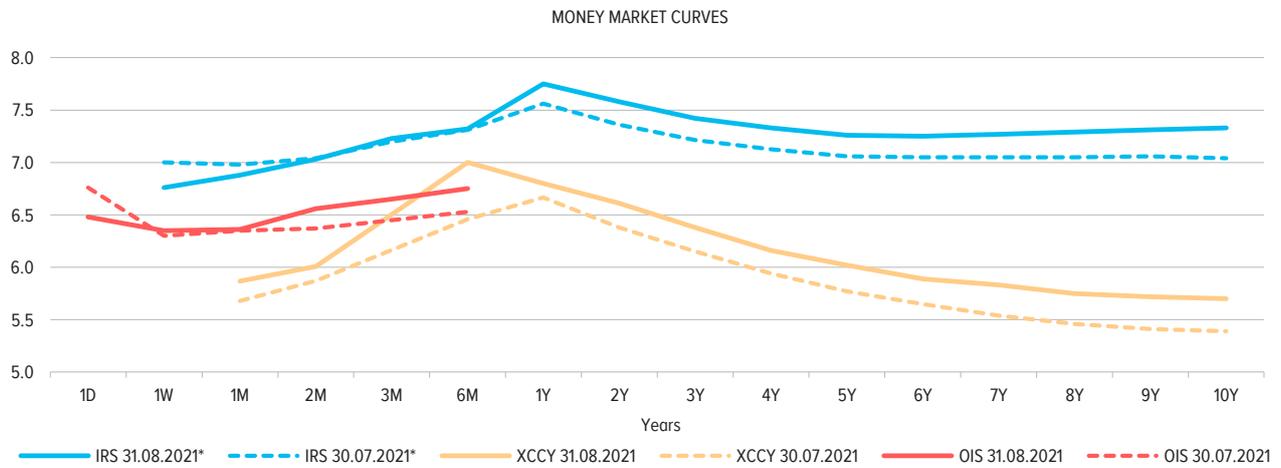
Chart 4



* Average for averaging periods.
Source: Bank of Russia calculations.

THE MONEY MARKET CURVES HAVE SLIGHTLY CHANGED SINCE JULY
(% P.A.)

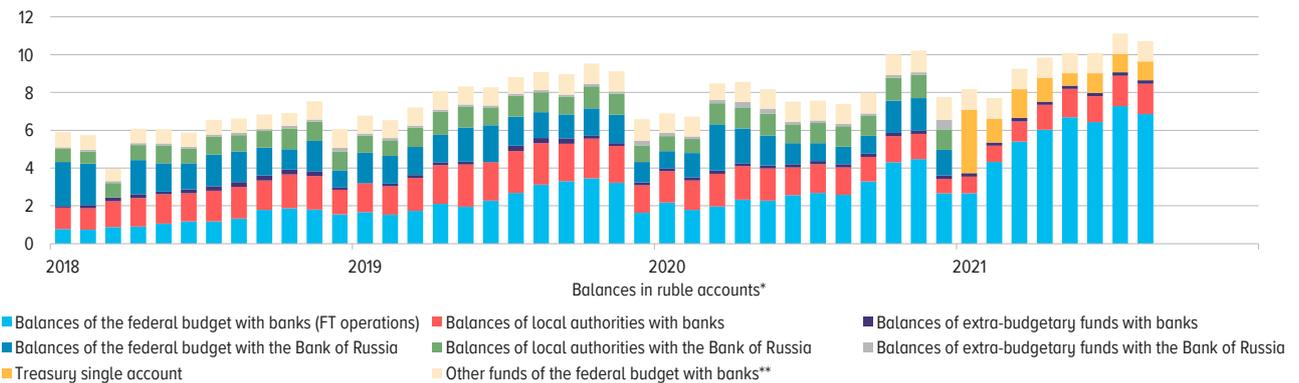
Chart 5



* To build the IRS curve for maturities up to 1Y MosPrime rates for corresponding maturities are used.
Source: Bloomberg.

IN AUGUST 2021, THE AGGREGATE BALANCE IN THE BUDGET ACCOUNTS REDUCED FOLLOWING THE TRANSFERS OF SOME FUNDS TO BANKS FOR SUBSEQUENT PAYMENTS WITHIN THE PENSIONERS SOCIAL SUPPORT EFFORTS
(TRILLIONS OF RUBLES, AS OF THE MONTH-END)

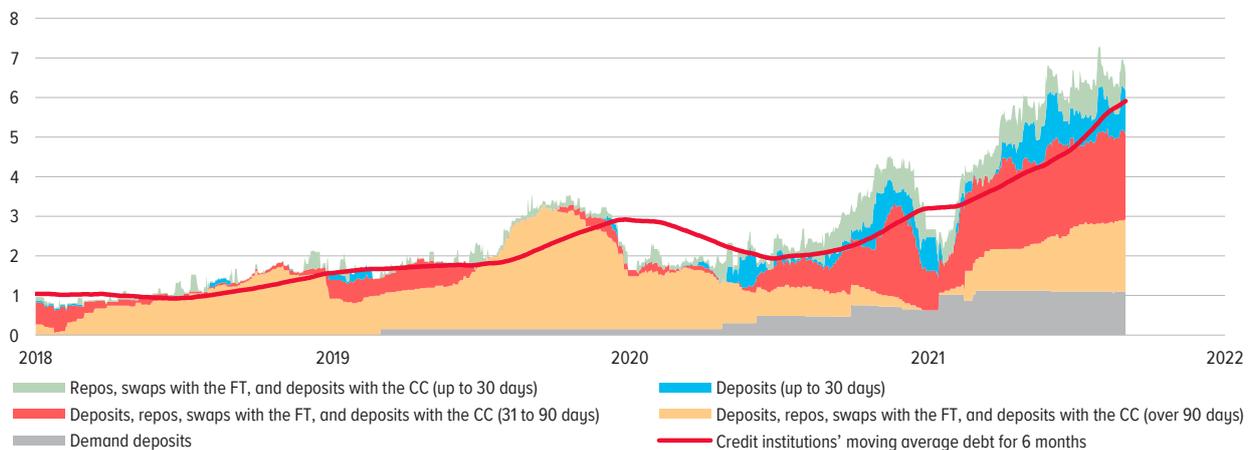
Chart 6



* According to banking reporting form 0409301 'Performance indicators of a credit institution' and the Bank of Russia's daily balance sheet.
** Other funds comprise VEB budgetary funds, election commissions' funds, funds received for temporary use, funds for the cash transactions of Russia's Ministry of Finance, and others.
Source: Bank of Russia calculations.

IN AUGUST 2021, THE DEBT OF CREDIT INSTITUTIONS TO THE FT SHRANK BY 0.4 TRILLION RUBLES
(TRILLIONS OF RUBLES)

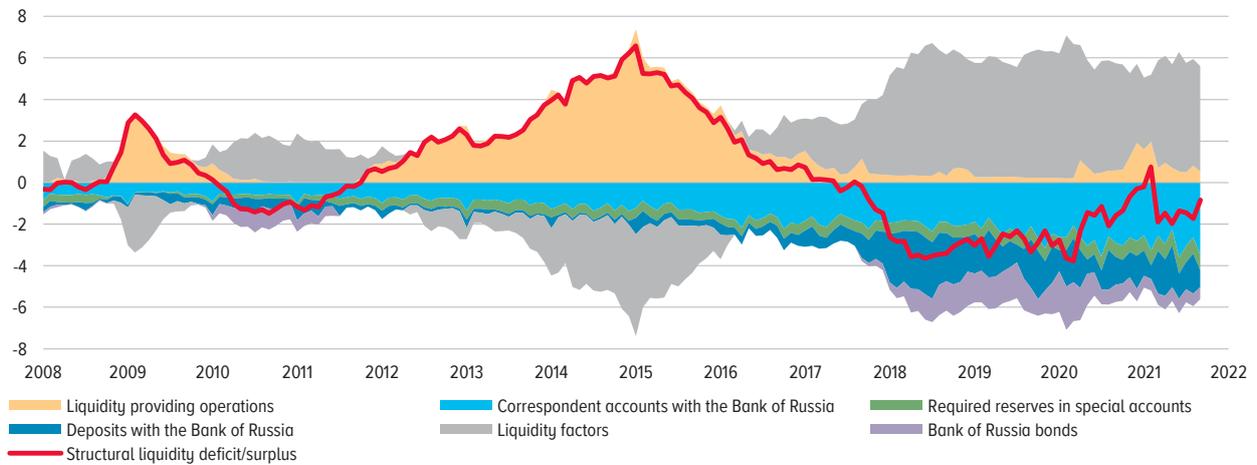
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

BANK OF RUSSIA'S BALANCE SHEET
(TRILLIONS OF RUBLES)

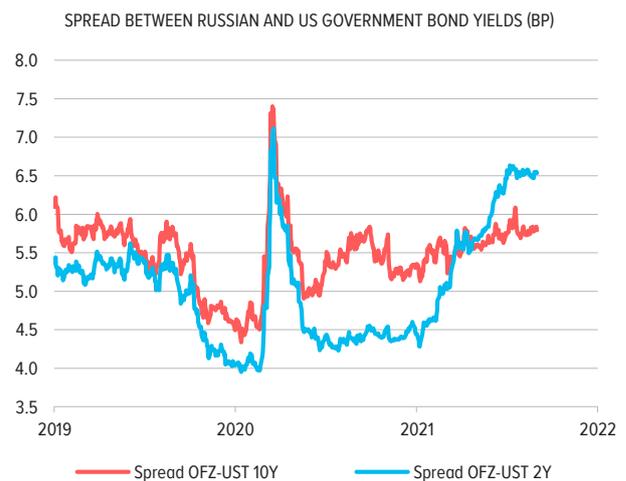
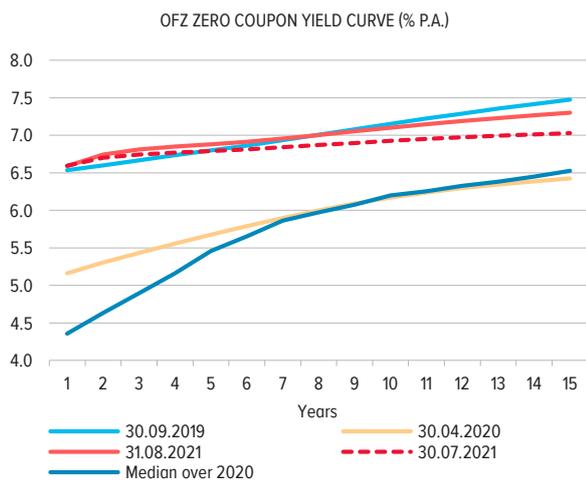
Chart 8



Source: Bank of Russia calculations.

OFZ CURVE SLIGHTLY ROSE IN AUGUST

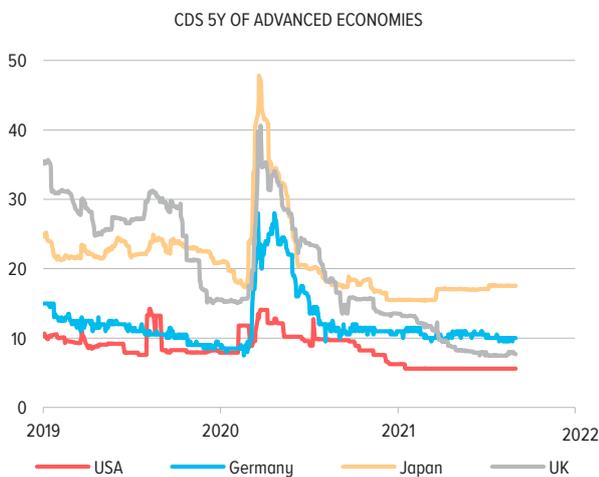
Chart 9



Sources: PJSC Moscow Exchange, Bank of Russia calculations.

RUSSIA CDS 5Y SPREAD FELL BELOW 80 BP
(BP)

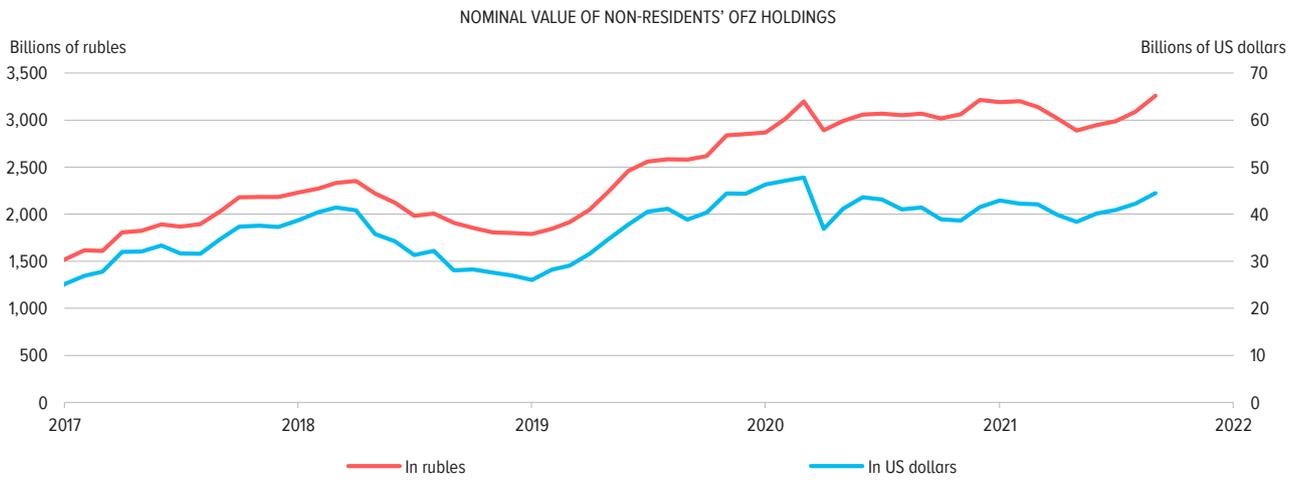
Chart 10



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

FOREIGN INVESTORS CONTINUED ACTIVE OFZ PURCHASES

Chart 11



Sources: PJSC Moscow Exchange, Bank of Russia calculations.

THE SITUATION IN GLOBAL FINANCIAL MARKETS WAS GENERALLY POSITIVE

Table 4

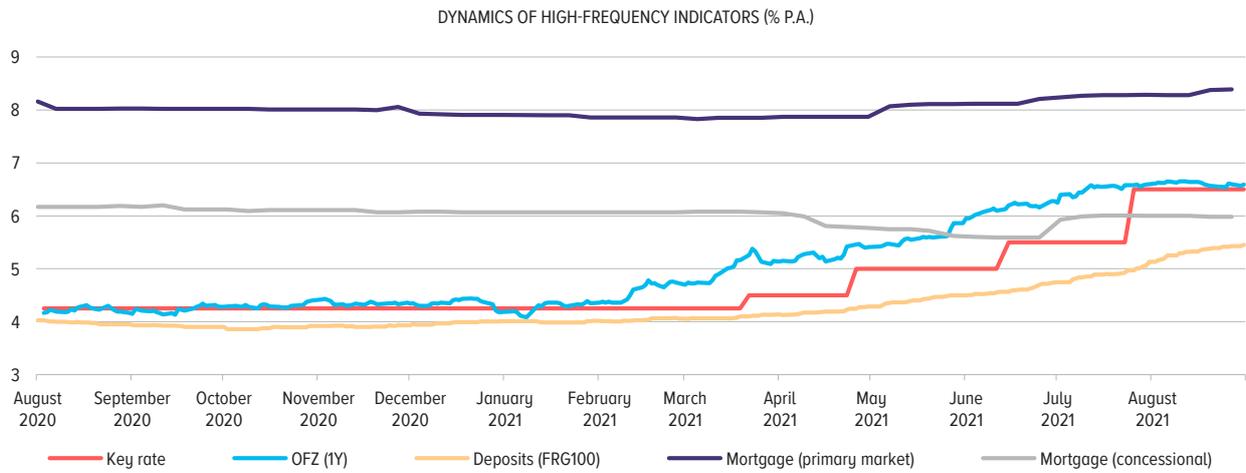
Indicator		31.08.2021	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		73.24	-0.1	0.4	0.8	1.6	1.1
MOEX Index		3,919	3.9	4.1	14.9	19.2	31.5
RTS Index		1,684	3.6	4.3	16.0	21.4	33.1
Government bond yield		6.86	0	-9	31	110	111
Corporate bond yield		7.43	0	42	91	132	144
Regional bond yield		7.34	0	37	101	166	168
CDS spread		79	-8	-17	-8	-10	-21
RVI		23	2	-2	-8	-9	-8
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	92.63	0.5	3.1	2.0	3.0	0.3
	Euro	1.18	-0.5	-3.3	-2.3	-3.3	-0.8
	Japanese yen	110.02	-0.3	-0.5	-3.0	-6.1	-4.2
	Pound sterling	1.38	-1.1	-2.8	-1.4	0.6	3.0
EMEs	JP Morgan EM Currency Index	56.90	0.4	-1.5	0.0	-1.8	2.4
	Ruble	73.24	-0.1	0.4	0.8	1.6	1.1
	Brazilian real	5.15	1.3	0.1	10.2	0.9	4.7
	Mexican peso	20.07	-1.0	-0.5	2.7	-0.9	8.4
	Chinese yuan	6.46	0.0	-1.2	0.1	1.0	6.3
	Turkish lira	8.32	1.7	2.7	-11.6	-10.6	-11.8
	South African rand	14.52	0.6	-5.3	2.9	1.2	14.3
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	1.31	9	-30	-8	39	59
	Germany	-0.39	8	-21	-3	19	3
	Japan	0.02	0	-6	-10	0	-3
	UK	0.71	15	-11	3	52	40
EMEs	Russia	6.98	14	-24	27	106	88
	Brazil	10.50	96	145	177	359	334
	Mexico	6.97	9	40	91	144	90
	China	2.85	-1	-24	-40	-29	-22
	Turkey	16.51	-35	-130	355	406	370
	South Africa	9.10	-8	-15	8	36	-20
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	6	0	0	0	-1	-4
	Germany	10	0	0	0	-1	-2
	Japan	18	0	1	2	2	0
	UK	8	0	0	-4	-6	-9
EMEs	Russia	79	-8	-17	-8	-10	-21
	Brazil	175	-1	7	-17	31	-42
	Mexico	85	-12	-7	-21	4	-36
	China	34	-5	-45	4	6	-5
	Turkey	361	-17	-37	57	55	-162
	South Africa	183	-17	-4	-40	-19	-103
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P	4,523	2.9	7.6	16.9	20.4	28.9
	MSCI Europe	2,088	1.3	0.6	11.0	13.5	26.2
	MSCI Japan	1,201	3.1	1.6	3.2	8.6	23.0
	MSCI UK	1,997	0.9	0.4	7.6	10.3	19.1
EMEs	MSCI EM	1,309	2.4	-5.9	-3.7	1.3	16.7
	MSCI Russia	797	3.6	4.4	16.1	19.2	30.5
	MSCI Brazil	1,839	-3.1	-7.8	14.3	-2.0	19.1
	MSCI Mexico	5,538	5.4	5.9	21.8	21.2	54.3
	MSCI China	94	0.0	-15.8	-19.5	-13.0	-7.4
	MSCI Turkey	1,685,530	7.8	8.7	1.7	-0.4	28.1
	MSCI South Africa	1,444	-0.6	-4.8	-6.3	6.4	8.9

* Advanced economies.

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

DEPOSIT RATES AND MARKET MORTGAGE RATES CONTINUED TO RISE IN AUGUST

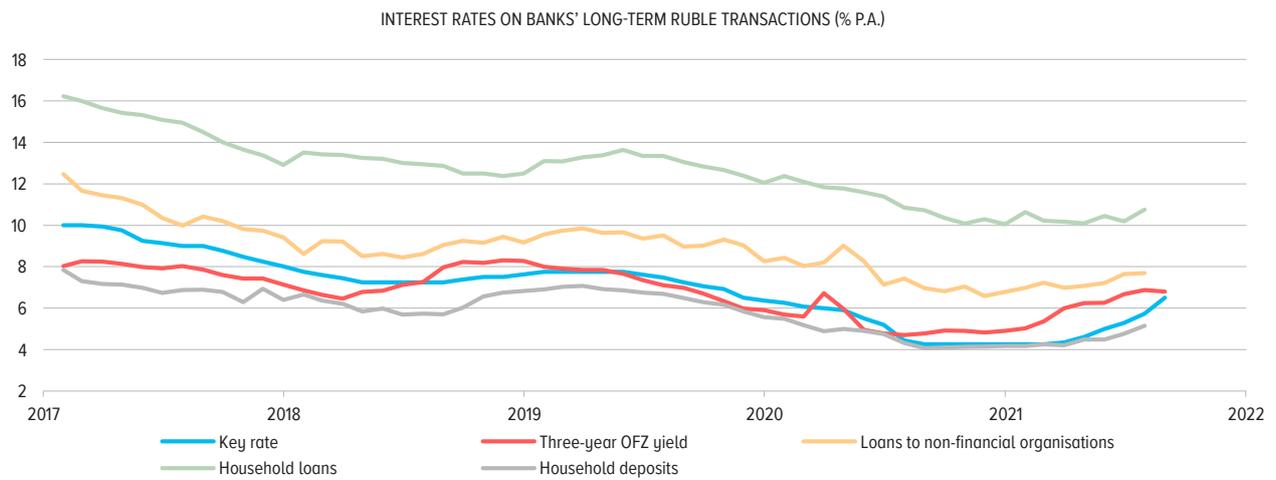
Chart 12



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

THE REALISED KEY PRICE INCREASE IS GRADUALLY TRANSLATING INTO INTEREST RATES ON DEPOSITS AND LOANS TO FINAL BORROWERS

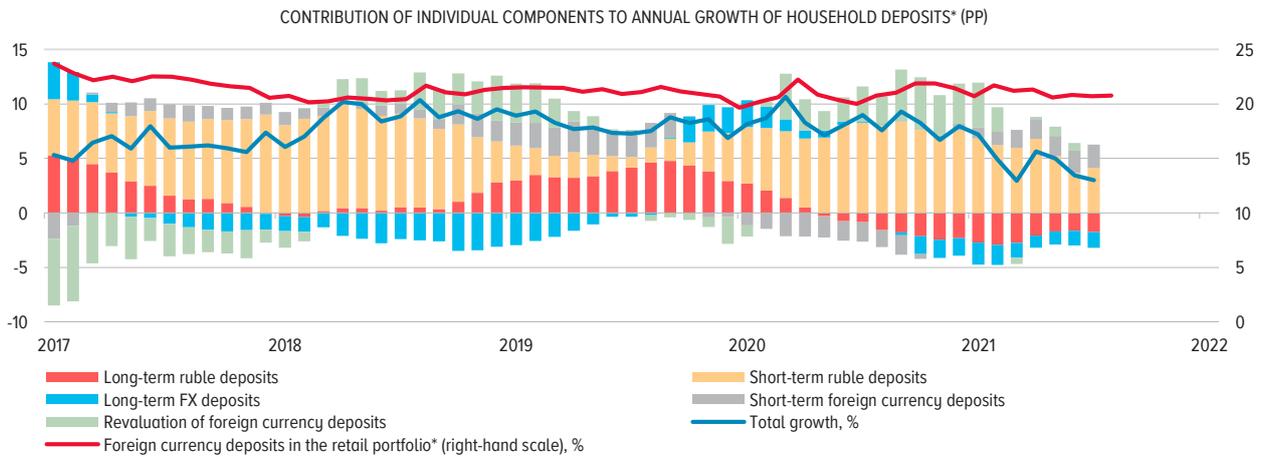
Chart 13



Source: Bank of Russia.

THE INFLOW OF FUNDS INTO HOUSEHOLD DEPOSITS REMAINS RELATIVELY SLOW

Chart 14



* Excluding escrow accounts.
Source: Bank of Russia calculations.

IN JULY, THERE WAS CONTINUOUS STRONG GROWTH IN CORPORATE LENDING

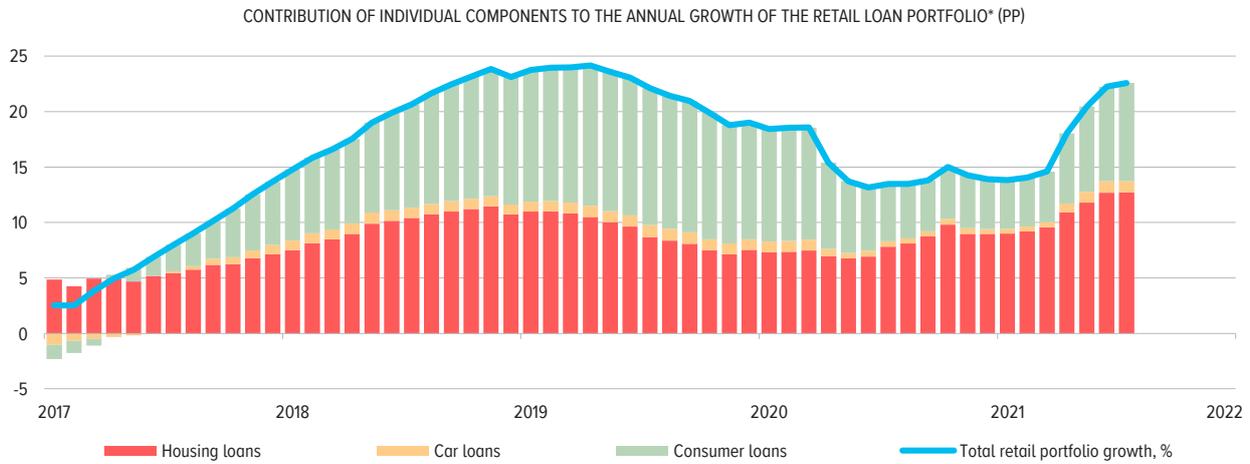
Chart 15



* From 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The calculation of portfolio growth is net of acquired claims.
Source: Bank of Russia calculations.

IN JULY, GROWTH OF RETAIL LOAN PORTFOLIO STOPPED ACCELERATING FOLLOWING THE AMENDMENT IN SUBSIDISED MORTGAGE LOAN PARAMETERS AND MACROPRUDENTIAL MEASURES IN UNSECURED CONSUMER LENDING

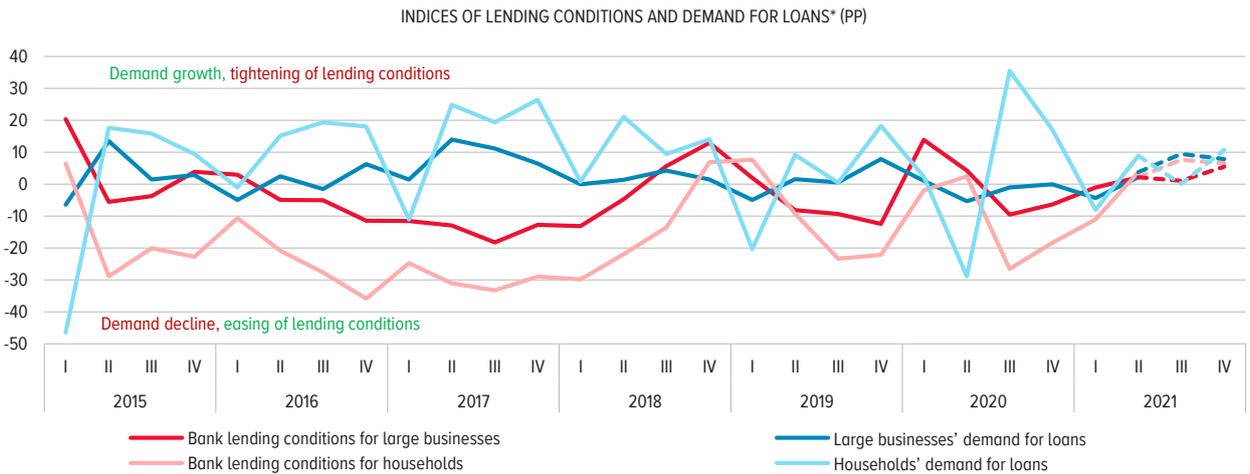
Chart 16



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

IN 2021 H2, BANKS EXPECT AN INCREASE IN DEMAND FOR LOANS AMID A SLIGHT TIGHTENING OF LENDING CONDITIONS

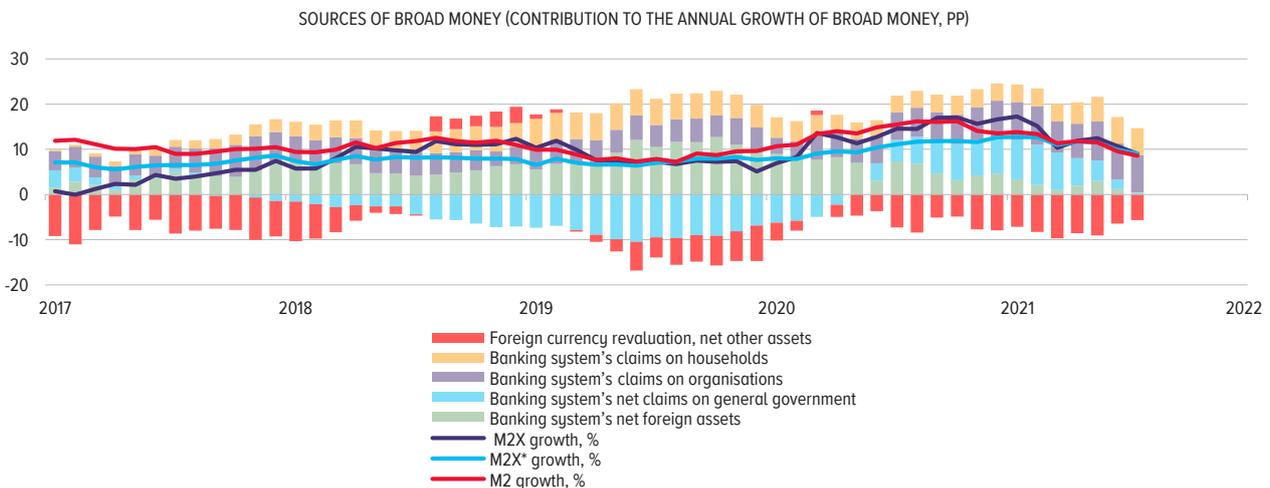
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2021 Q2.
Source: Bank of Russia.

LENDING TO THE ECONOMY IS STILL THE MAIN SOURCE OF MONEY SUPPLY GROWTH

Chart 18



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

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

Indicator		April 2021	May 2021	June 2021	July 2021
Interest rates on banks' long-term ruble transactions					
– household deposits	% p.a.	4.5	4.5	4.8	5.1
– household loans	% p.a.	10.1	10.5	10.2	10.8
– corporate loans	% p.a.	7.1	7.2	7.6	7.7
Household deposits*	% YoY, AFRC	5.4	4.2	2.7	3.1
– in rubles*	% YoY	6.0	4.4	2.5	3.0
– in foreign currency	% YoY	3.4	3.0	3.5	3.3
– share of foreign currency*	%	20.6	20.8	20.7	20.8
Loans to non-financial organisations**	% YoY, AFRC	7.9	9.2	9.8	9.8
– short-term (up to 1 year)	% YoY, AFRC	1.6	5.0	7.2	10.7
– long-term (more than 1 year)	% YoY, AFRC	9.5	10.5	11.1	12.3
– overdue loans	%	7.2	7.2	7.2	6.4
Household loans**	% YoY, AFRC	17.6	19.9	21.6	21.7
– housing mortgage loans	% YoY, AFRC	25.7	27.2	29.0	28.7
– unsecured consumer loans	% YoY	12.5	15.2	17.0	17.8
– overdue loans	%	4.5	4.5	4.3	4.3
Banking system's claims on the economy	% YoY, AFRC	11.6	13.2	13.1	13.5
– on businesses	% YoY, AFRC	9.9	11.2	10.3	10.8
– on households	% YoY, AFRC	16.4	18.6	20.4	20.7
Money supply (monetary aggregate M2)	% YoY	11.8	11.5	9.5	8.6
Broad money	% YoY, AFRC	11.7	11.6	9.9	9.1

* Excluding escrow accounts

** From 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The calculation of portfolio growth is net of acquired claims.

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

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Liquidity and overnight rates (RUONIA)' section – 7 September 2021 (reserve requirements are an important part of the Bank of Russia's instruments to manage banking sector liquidity and money market rates. Therefore, the analysis of the effectiveness of the Bank of Russia's monetary policy operational procedure should take into account required reserves averaging periods. In August–September 2021, this period is from 11 August 2021 to 7 September 2021);
- 'Money market yield curves and key rate expectations' section and 'Public debt market' section – 31 August 2021;
- 'Credit and deposit market' section – 1 August 2021.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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