



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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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

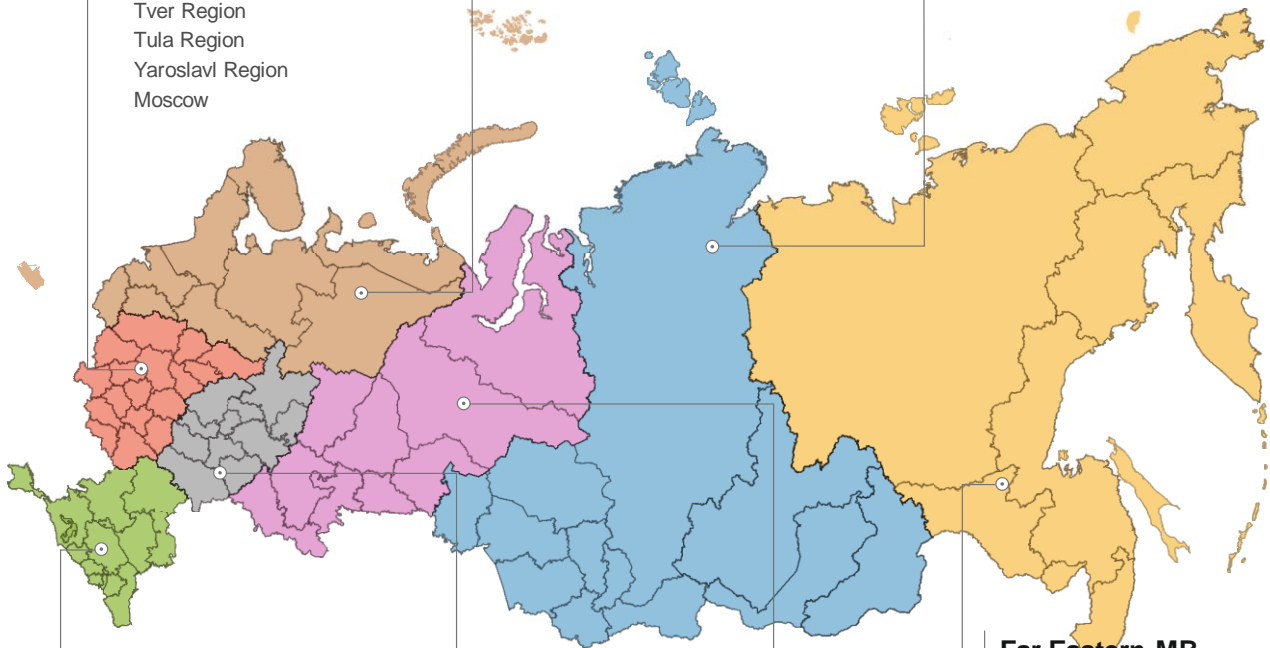
North-Western MB

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

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WHAT IS THE REPORT 'REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES'?

The report 'Regional Economy: Commentaries by Bank of Russia Main Branches' (hereinafter, the Report) reviews the current economic situation in the seven Russian macro-regions, the boundaries of which correspond to the regions of operation of the Main Branches of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia MBs). The content of the Report is prepared by the specialists of the Bank of Russia Main Branches.

The feature of this Report is that it relies on qualitative analysis methods. Such analysis is based on the most comprehensive scope of economic information available regionally, including non-financial companies' surveys and experts' opinions. This approach makes it possible to combine official statistics with estimates by businesses, analysts and industry associations and to identify trends emerging in regions.



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of 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 combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and 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 September 2021, we surveyed 13,607 companies.

RUSSIAN FEDERATION

In August–September 2021, both domestic and external demand continued to expand in Russian regions. However, demand increased amid supply-side constraints. The problem of staff shortages in the labour market became more acute. Companies raised wages more significantly and frequently than they had planned to in early 2021. Inflation continued to edge up in September, as demand persistently exceeded the potential to ramp up supply. Companies' price expectations went down slightly, while remaining elevated. Monetary conditions promoted an inflow of households' funds into time deposits and a slowdown in the mortgage lending growth.

In August–September 2021, both domestic and external demand continued to expand in Russian regions. As before, the economy in the north-western and southern regions of Russia was supported by domestic tourism. Central Russia recorded a recovery in the domestic passenger flow in air transportation. Agroindustrial enterprises in the Volga Region were implementing large-scale investment projects. The Urals, Siberia, and the Far East saw a rise in external demand for Russian exports. Consumer activity was also boosted by one-time payments from the budget to certain groups of people.

Nonetheless, **the growth of business activity was hindered by supply-side constraints.** Specifically, insufficient railway capacity in the Far East restricted coal output. Logistics bottlenecks in the North-West affected automobile production. As a result, the industry was unable to completely meet the end consumers' demand. In October, the Volga and Ural macro-regions imposed additional anti-pandemic restrictions in services. The harvest of certain crops was worse than last year due to unfavourable weather conditions, which will put pressure on prices for respective products (see the Box 'Preliminary results of the 2021 harvest campaign and their impact on food prices').

According to business surveys, **the problem of staff shortages in the labour market became more acute.** This trend manifested itself most strongly in the deficit of low-skilled workers, namely in services. In this context, the majority of companies reported an increase in wages to their employees in 2021. Moreover, companies raised wages more significantly and frequently than they had planned to in early 2021.

The growth of consumer prices sped up in August–September (seasonally adjusted). Non-food prices rose persistently quickly amid the sustained pressure of demand. The increase in food prices accelerated. Prices for services changed diversely (see the Box 'Heterogeneous consumer price dynamics'). Companies' price expectations remain high. They edged down in trade, services, and industrial sectors, but were up in agriculture, construction, and transportation and storage.

Monetary conditions promoted an inflow of households' funds into time deposits and slowed down the growth of mortgage lending. Nonetheless, the weakening of mortgage lending growth was somewhat constrained due to an easing of non-price lending conditions and the improved parameters of the family mortgage programme. The rise in consumer lending also decelerated slightly, while still contributing to the expansion of households' demand.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Many regions recorded a rebound of traffic in trade centres to pre-pandemic levels, with online sales also growing. The upward trend in domestic tourism promoted the recovery in passenger transportation. Following the revision of the parameters of the subsidised mortgage lending programmes, prices for new housing in the Moscow metropolitan area went down. Rising deposit rates encouraged households' savings. Milk producers reported lower business profitability due to higher costs.

NORTH-WESTERN MAIN BRANCH. Machine builders increased their supplies to both the domestic and external markets. Logistics bottlenecks continued to affect car production. The expansion of freight turnover promoted further upgrade of transport infrastructure. The demand for the main tourist destinations in the North-West remained high. Companies' price expectations went down, while still staying elevated.

VOLGA-VYATKA MAIN BRANCH. As the pandemic situation worsened, this hindered the rebound in the consumption of services. There was a surge in the portion of companies expecting price growth to exceed 4%. Staff shortages in a number of industries sped up the growth of wages. The demand for housing in the primary market declined, whereas housing commissioning remained high. Agroindustrial enterprises launched several large logistics infrastructure facilities.

SOUTHERN MAIN BRANCH. Consumer activity was supported by the tourist flow. Inflation sped up amid shifts in harvesting activity and a rise in vegetable producers' expenses for mineral fertilisers and meat producers' expenses for feed. Ahead of another increase in the export duties, cereals exports expanded. Large sea ports completed investment projects increasing their storage capabilities. A number of developers planned to further raise housing prices due to higher costs for construction materials.

URAL MAIN BRANCH. The growth in industrial sectors slowed down due to an accident at a large gas processing complex. Nevertheless, petrochemical enterprises managed to promptly offset a temporary shortage of commodities through alternative supplies. Oil companies continued to restore output pursuant to the OPEC+ quotas. As the demand for tourism services rose, airlines launched additional flights to both the southern regions of Russia and foreign countries. The demand for the revised mortgage lending programme was up.

SIBERIAN MAIN BRANCH. A favourable environment in global markets contributed to the growth and steady operation of industrial enterprises. Metallurgical companies reported a significant increase in wages. Wood processing companies ramped up output, supplying their products to both the domestic and external markets. The family mortgage lending programme became more popular. Disbursements in consumer lending hit a local peak.

FAR EASTERN MAIN BRANCH. Retailers recorded a short-term rise in sales over the period when one-time budget-funded payments were transferred to households. As imports to Russia and transit from China to Europe increased, the workload of sea ports reached its maximum, which delayed cargo handling. High external demand supported coal output, but its growth was hindered due to the limited capacities of transport infrastructure.

CORE ECONOMIC INDICATORS

		Date	Russia	MB for Central FD	North - West rn MB	Volga - Vyatk a MB	South ern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2021	100	34	11	12	14	13	11	5
Inflation	% YoY	Sep21	7.4	7.4	7.3	7.6	8.5	6.7	7.8	6.1
Core inflation	% YoY	Sep21	7.6	7.9	7.3	8.1	7.8	7.1	7.9	5.7
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	Aug21	1.5	26.5	0.0	1.7	2.9	2.9	-1.1	-2.7
Fixed capital investment	Cumulative, % YoY	2021 Q2	5.4	10.1	-6.0	5.4	5.3	-2.3	8.7	-4.2
Construction	3MMA, % YoY	Aug21	9.5	2.7	-12.1	13.3	9.9	14.8	0.4	-24.5
Housing commissioning	3MMA, % YoY	Aug21	26.9	23.3	68.5	5.1	33.3	28.0	14.0	35.5
Retail	3MMA, % YoY	Aug21	4.5	8.3	11.5	2.6	5.2	-0.2	2.1	2.1
Commercial services	3MMA, % YoY	Aug21	-0.9	4.1	-3.6	-4.1	5.0	-7.9	-4.1	-14.8
Real wages	3MMA, % YoY	Jul21	5.0	6.6	4.0	4.5	2.8	3.6	4.5	2.3
Real disposable income	% YoY	2021 Q2	-0.2	-1.8	3.0	-0.6	-3.8	-3.3	-0.3	-0.8
Outstanding consumer loans ²	% YoY	Aug21	17.2	16.3	16.6	17.5	17.6	16.7	19.3	18.3
Outstanding mortgage loans	% YoY	Aug21	27.8	31.0	27.3	25.3	32.0	22.1	25.9	31.1
Non-financial organisations' outstanding bank loans	% YoY	Aug21	11.5	10.9	18.7	13.3	7.2	12.1	-3.6	32.9
• Large borrowers	% YoY	Aug21	9.6	8.9	19.1	12.5	2.3	10.4	-8.3	36.2
• SMEs	% YoY	Aug21	22.9	28.1	16.6	16.0	21.7	23.7	17.0	20.8
Companies' price expectations ³	Balance of responses, SA	Sep21	25.0	29.3	22.6	32.0	19.8	24.4	23.9	22.0
Business Climate Index	pp YoY	Aug21	4.1	1.7	6.6	1.8	2.5	4.0	7.3	6.8
• Current estimates	pp YoY	Aug21	4.6	1.5	7.5	4.1	2.3	3.0	10.4	6.9
• Expectations	pp YoY	Aug21	3.5	2.0	6.6	-0.6	2.7	5.0	4.0	6.7

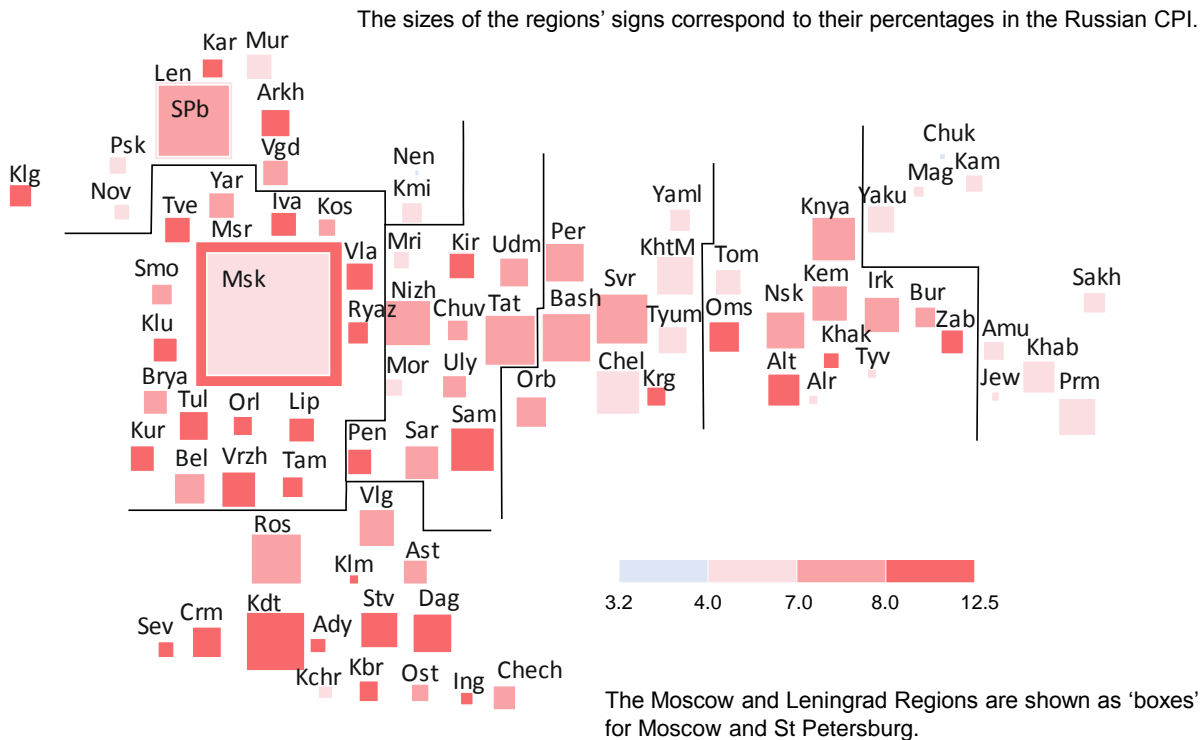
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

³ The balance of responses is the difference between the percentages of responses 'will increase' and 'will decrease' to the question about expectations regarding prices in the next three months. Companies' price expectations and the Business Climate Index are based on the monitoring of businesses carried out by the Bank of Russia.

INFLATION IN RUSSIAN REGIONS

Price growth in September 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)	Crn	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 Territory
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-Balkar 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	Yar	Yaroslavl Region
		Ros	Rostov Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In August–September, consumer activity increased in Central Russia. Consumer demand was supported by rising wages, additional social payments, and consumer loans. Inflation sped up, fuelled by higher production costs and expanding demand, including for inbound tourism. Higher interest rates promoted the inflow of households' funds into time deposits.

CONSUMPTION AND INCOMES. Consumer demand continued to expand in September. Food retail sales remained slightly above the 2019 level, whereas turnover in non-food goods and public catering soared. Offline sales started to recover, with new trade centres opening in the macro-region. The formats of discounters and convenience stores are quickly developing. Traffic in trade centres recovered to pre-pandemic levels in most regions and reached 90% in Moscow. Seeking to increase the average purchase amount, sales, and customers' loyalty, large retail networks offer a free taxi service allowing the buyers who have fulfilled the terms of the promotion campaign to go home by taxi, with the fare paid by the retailer. As regards online sales, online stores are used more frequently in Moscow, whereas Russian regions record an increase in the number of buyers. A large online retailer plans to start constructing a distribution centre in the Tula Region in 2021 Q4, with an area of 300,000 square metres, and create 15,000 new jobs there.

The value of commercial services bounced back unevenly, exceeding the pre-pandemic level in Moscow, but failing to reach it in the majority of other regions of the Central Federal District. The Moscow metropolitan area recorded an increase in the value of healthcare, educational and household services as compared to 2019. Contrastingly, the Voronezh and Tambov Regions faced the most significant decline in the value of commercial services, predominantly in transportation, tourism, and culture.

Consumer activity was supported by rising wages, one-time payments from the budget to families with school-aged children in August and pensioners in September, as well as consumer lending. According to the monitoring of businesses, trade companies in the Central FD improved their expectations regarding demand for the next three months.

PRICES. In August–September, inflation sped up again (seasonally adjusted) in the macro-region, spurred by higher producer costs and expanding demand in certain product groups. The rise in domestic tourism pushes up prices for accommodation in hotels and rented housing. Furthermore, due to the restrictions effective in 2020, some hotels were forced either to raise loans to maintain their operation, or to close. As a result, their expenses for debt repayment and a lower competition have become additional drivers affecting prices in hotel business. Moreover, according to the monitoring results, price expectations of enterprises in the macro-region for the next three months generally lowered in September, while staying at a high level. The rise in companies' price expectations decelerated in most regions of the Central FD, including the Moscow metropolitan area.

MONETARY CONDITIONS AND BANKING SECTOR. Corporate lending conditions continued to tighten in August. As to Moscow, this process slowed down following the expansion of the list of the top-priority industries covered by the subsidised lending programme. The amount of disbursed

mortgage loans remained almost unchanged in August. In Moscow, where the demand for mortgage loans declined most significantly after the update of the government subsidised mortgage programme, the average price per square meter in new housing edged down by 3.9% over Q3. A large number of developers offered discounts and instalment plans to customers buying residential real estate in Moscow and subsidised their mortgage rates, which pushed the latter down in August as compared to July. In August, higher deposit rates, which rose for the first time since December 2020, promoted the inflow of households' funds into time deposits. Banks in the macro-region recorded the most significant increase in the accounts with large balances. Concurrently, the number of new individual investment accounts continued to grow rapidly in the metropolitan area.

PASSENGER TRANSPORT. Passenger transportation services in the macro-region gradually recovered, including owing to higher demand for tourism. The government tourist cashback programme and carriers' promotion campaigns continue to support the air and railway transport industries. Specifically, domestic airlines recorded the most significant rise in passenger transportation, with the passenger flow exceeding the 2019 level. Elevated demand for holidays during the mild season was supported by special terms offered by some airlines decreasing air fares for flights to southern destinations below prices for 2nd class sleeping car tickets. In September, airlines launched charter flights to Kazan, Tyumen, and Sheregesh in addition to popular flights to Buryatia and Sakhalin. Moreover, long-haul aircraft are underutilised due to the effective restrictions on international travel.

Rail passenger transportation continued to bounce back, while still staying below the pre-pandemic level. The growth of the passenger flow was driven by special summer offerings for tickets to certain destinations and the launch of new tourist routes. In the near future, airlines are expected to launch a new Kostroma – Saint Petersburg flight and an additional Moscow – Kostroma flight due to elevated demand for these destinations.

MILK PRODUCTION. Output growth in the industry decelerated recently, dragged down by lower profitability. Over the last year, enterprises' costs edged up in both production and processing. The rise in production costs was driven by the earlier weakening of the ruble and the increase in expenses for packaging, feed, and other items. The new level of production costs is intolerable for many enterprises (predominantly, small farms). Therefore, they decide to reduce the cattle population and refocus on other industries, such as crop production, or adjust their feed base to make it cheaper, which decreases milk output and quality. Nonetheless, the Yaroslavl Region is implementing seven large investment projects aimed at expanding milk output. Given that the industry's profitability is declining, regional aid measures are becoming increasingly important. Specifically, the Ryazan Region supports cheese production through milk processing subsidies, state guarantees, product promotion measures, and media coverage.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



In August–September, the overall level of consumer activity in the macro-region exceeded the pre-pandemic level. Machine-building companies reported a sufficiently large number of orders in both the domestic and external markets. Corporate lending expanded faster than generally across Russia. In those regions of the North-Western Federal District that are the most popular tourism destinations, the tourist flow increased as compared to last year. Businesses' price expectations in most industries edged down slightly, while staying elevated.

CONSUMPTION AND INCOMES. The level of consumer activity was higher than over the previous two years and was predominantly driven by higher non-food sales, first of all in Saint Petersburg and the Leningrad Region. Households in these regions increased their expenses for furniture, home improvement goods, and some other products. A company manufacturing and selling sports goods automated its order picking processes due to a growing number of orders. The value of commercial services almost reached the level of 2019. The value of household and veterinary services exceeded pre-pandemic levels. However, as compared with retailers, service companies remained less optimistic about future sales.

Demand was supported by one-time budget payments in August–September to certain groups of people and the indexation of wages in the public sector in a number of regions at the beginning of autumn.

PRICES. In September, annual inflation in the macro-region sped up to 7.3%, from 6.6% in August. It was mainly spurred by the sustained pressure put by higher producer costs and contracting supply in individual segments of the food market. Some agricultural enterprises of the North-West complained that unfavourable weather conditions decreased the harvest of vegetables and milk output. Certain product markets recorded a decline in prices. Specifically, wood processing enterprises reported that elevated demand for their products diminished.

In September, price expectations went down in the majority of industries, predominantly due to changes in the estimates of future demand, while still remaining elevated. Price expectations declined most significantly in construction. Namely, as reported by a large construction company in Saint Petersburg, effective demand had been largely met before the amendments to the conditions of the subsidised mortgage lending programme.

MONETARY CONDITIONS AND BANKING SECTOR. Corporate lending continued to support the macro-region's economy. A large regional bank signed a contract to finance construction of a bitumen marine terminal in the port of Saint Petersburg to become the first one in the country. As generally across Russia, the growth of consumer lending sped up in August. A number of banks reported a rise in the demand for student loans, as compared to the previous year. The revision of the subsidised mortgage lending programme encouraged the development of regional programmes. Specifically, in early 2022, the Arkhangelsk Region will launch a pilot project of a regional subsidised

mortgage lending programme at a 2% interest rate for young families, which will become the first universal programme in Russia. In the first place, preferential terms will be available to education and healthcare workers.

A rise in deposit rates boosted the demand for savings. The inflow of households' funds into time deposits resumed in August, for the first time since the beginning of the year.

MACHINE BUILDING. Large engineering companies in Saint Petersburg supplied unique equipment to oil refineries and metallurgical companies, as well as to nuclear power plants in Russia, Turkey, India, and China.

The macro-region's enterprises continued contributing to the implementation of projects aimed at improving power supply in the regions of the Far East, the Baikal-Amur Mainline, and the Trans-Siberian Railroad, as well as at building medium and high power gas turbines entirely of domestic origin. A heavy engineering plant reached its full capacity in manufacturing metal structures of gantry cranes for sea ports and shipyards.

Car output was below the level of 2019 due to disruptions in component supplies. One of the automobile plants complained about a temporary deficit of railway transport for supplying finished products to auto dealers. Concurrently, a large auto group reported the commissioning of its factory building auto engines, which will help increase the local content of production.

TRANSPORTATION AND STORAGE. Transportation in the North-West bounced back. Specifically, dry cargo turnover in sea ports expanded, and the increase in motor transportation in 2021 H1 considerably exceeded the Russian average.

A number of motor and air transportation companies reported a rise in costs, spurred by higher prices for fuels and lubricants.

Multimodal transit cargo transportation (railway and sea transportation) across the Kaliningrad Region from China to Europe is becoming increasingly popular, which saves quite a lot of time as compared with sea shipments. The sea ports of the Leningrad Region continued to upgrade their infrastructure. In particular, a large Russian transport holding company launched the construction of a universal cargo transshipment terminal.

According to a consulting company working in real estate, trade and distribution companies in Saint Petersburg increased the demand for warehouses, most of which were purchased at the stage of construction.

TOURISM. By the beginning of September, the tourist flow in the macro-region considerably increased. Moreover, it may surge by 15–20% in a number of regions as of the end of 2021, compared to 2019. Overall, the macro-region does not expect the tourist flow to fully recover to the 2019 level as the influx of foreign tourists into Saint Petersburg bounces back slowly. Nonetheless, by September, the number of tourists who visited the city exceeded the level recorded over the entire 2020 when the tourist flow contracted dramatically.

According to businesses in the Kaliningrad Region, hotel occupancy rates during this year's tourist season hit their record highs. Tour operators offered holidays not only at the Baltic Sea, but also other destinations, and launched new types of services, such as jeep and vintage car tours. Concurrently, tour agencies complained about a shortage of accommodation due to poorly developed hotel infrastructure. Karelia was developing ecotourism extensively. The Komi Republic subsidised domestic flights, thus making local sights more accessible (e.g., the Manpupuner rock formations).

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



Business activity continued to grow in August–September, with output stabilising at the pre-pandemic level. According to business surveys, demand remained high in August, with unemployment going down. Expectations regarding future demand and output changed only slightly, staying close to their multi-year averages. The growth of consumer activity was contained by uncertainty and restrictions in services effective due to the worsening of the pandemic situation.

CONSUMPTION AND INCOMES. In August 2021, retail sales expanded faster in the Volga-Vyatka macro-region. According to retailers' monitoring, the growth of demand and turnover in this segment exceeded Russian averages. However, many companies reported that consumers had been switching to cheaper goods due to the weak growth of real incomes, which were still lower in 2021 Q2 than over the same period in 2019.

The consumption of services remains unstable amid changes in the pandemic situation. In August, the consumption of services decreased again after a slight rise in July. Moreover, the worsening of the pandemic situation in autumn might affect services more considerably than in July–August. Many regions introduced new measures, including the QR code system, which limited both the organisation of public events and the operation of services companies. In most regions, a QR code became mandatory to visit concerts and exhibitions, as well as to receive many types of services, including in public catering, beauty salons, tanning rooms, bathhouses, fitness centres, swimming pools, theatres, and cinemas. Furthermore, many leisure organisations were not allowed to exceed the occupancy rate of 50%.

PRICES. In September, monthly price growth (seasonally adjusted) sped up anew, after the slowdown during the previous three months. As a result, annual inflation rose to 7.6%. This acceleration was caused by the earlier start of the seasonal growth of fruit and vegetable prices and a more significant increase in poultry prices fuelled by higher producer costs and lower supply. Moreover, Volga-Vyatka retailers raised their price expectations in September: the portion of companies expecting prices to soar by over 4% increased considerably.

MONETARY CONDITIONS AND BANKING SECTOR. In July–August, the growth of retail credit, including both consumer and mortgage lending, slowed down substantially. The demand for mortgage loans declined as the parameters of subsidised mortgage lending had changed, housing prices were up, and the effective demand for residential real estate had been satisfied to a great extent. As a result, the amount of mortgage loans issued in the macro-region almost reversed to the level recorded in August 2020. The expansion of consumer lending slowed down to pre-pandemic readings.

As deposit rates rose in August for the first time since early 2020, households' time deposits increased, predominantly owing to deposits for up to one year.

HOUSING CONSTRUCTION. According to developers and credit institutions, most territories in the Volga-Vyatka macro-region reduced the demand for new housing in July–September. A number of developers reported an increased number of failed transactions, which was due to banks' refusals to issue mortgage loans to potential buyers. To promote the demand for housing, some companies launched special programmes offering, among other things, interest grace periods on subsidised loans, gifts to the buyers, etc.

Moreover, housing commissioning in the Volga-Vyatka macro-region in January–August 2021 considerably exceeded the values of the same period of 2019 and 2020, although its growth slowed down in recent months. However, the majority of territories in Volga-Vyatka do not expect a reduction in the number of new housing construction projects.

The growth of prices for new housing remained elevated in recent months. Furthermore, developers reported a slower rise in construction costs and even a decrease in prices for certain construction materials (rolled metal).

LABOUR MARKET. Unemployment in most territories of the Volga-Vyatka macro-region came closer to the pre-pandemic rate. However, the demand for workers remained elevated, with individual industries facing a mismatch in labour demand and supply. Specifically, as the situation in public catering is unstable, many employees in one of the regions changed jobs for delivery services actively developing during the pandemic period. A large furniture manufacturer reported a decrease in the headcount as a part of local workers preferred rotational work in Moscow at positions earlier held by foreigners. Moreover, in some cases, higher demand for labour resulted from an increase in output, including following the launch of new production capacities.

The economic recovery and high demand for workers boosted a quicker rise in wages. According to business surveys in September, two-thirds of respondents had already increased wages during the current year, as compared to one in two companies last year. Furthermore, the actual percentage of enterprises that raised wages this year was higher than could have been expected based on the results of a similar survey carried out at the beginning of the year.

LOGISTICS INFRASTRUCTURE. In September, Volga-Vyatka commissioned several large food storage and processing facilities. This will help lower the volatility of price growth in this market.

In particular, the macro-region launched the first stage of a large agricultural park. According to the company, it will help expand the range of services offered to agricultural enterprises, from product shipments and storage at the facilities of the complex to product packing and delivery. In the future, the company plans to implement an investment project to launch the second stage of this agricultural park, which will include a food storage and processing centre.

In addition, one of the agricultural holding companies commissioned a large elevator complex intended for grain cleaning, drying, and storage. This grain is planned to be used mostly as feed at several regional pig breeding farms.

In September, the macro-region also announced the construction of several large distribution centres of Russian and foreign online retailers, which will create over 10,000 new jobs.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Overall, demand in the macro-region in August–September expanded faster than supply. Coupled with the growth of companies' costs, this exacerbated the rise in consumer prices. Tourism continued to support demand in most southern regions. Insufficient supply in individual industries put additional pressure on prices. The growth of the demand for housing slowed down, predominantly due to the changes in the subsidised mortgage lending parameters and higher market interest rates on mortgage loans. Retail trade was developing extensively, boosted by, among other things, the expansion of the online segment and support provided by consumer lending.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region still exceeds Russian averages. According to business surveys, the recovery of demand improved sales and expectations about demand in the next three months.

As the growth of incomes was weak, the macro-region's households still opt for cheaper stores for the most part. Moreover, the opening of discounters encourages the development of related infrastructure. For instance, a large discounter commissioned a new distribution centre in the Krasnodar Territory. The project will not only improve logistics, but will also create nearly 400 new jobs. The non-food segment is expanding online trade as well. Krasnodar opened a hub store of a countrywide medicine delivery platform which offers 13,000 items and is able to process 1,000 orders per day.

As the economic situation improves, labour remuneration increases. In 2020, about 10% of surveyed companies reported the indexation of wages, whereas this year this was done by two-thirds of respondents. Moreover, one in seven enterprises plans wage indexation until the end of the year.

PRICES. Annual inflation in the South sped up to 8.5% in September. This was largely caused by an increase in livestock producers' costs for feed and the contraction of supply of Russian vegetables amid shifts in the harvesting campaign coupled with vegetable producers' higher costs for mineral fertilisers, fuels, and labour remuneration.

The growth of businesses' price expectations slowed down slightly, but they still remained elevated. This was observed in many industries focusing on consumer demand, specifically in retail, other services, agriculture, and construction. According to a representative of a large agricultural holding company in Stavropol, producers continue to limit prices for socially important products within the agreement with Russia's Ministry of Agriculture, by reducing their profit margin.

MONETARY CONDITIONS AND BANKING SECTOR. In July, corporate lending expanded slightly, primarily driven by loans to large clients. Companies in construction, energy generation, food production, and machine and equipment building accounted for the largest amount of borrowings. However, enterprises reported a worsening of lending conditions.

Households' credit activity continued to grow in August. The rise in consumer lending was driven by both the intensive period of holidays and preparations for the new academic year and the demand

for improvement of new homes. The increase in outstanding mortgage loans slowed down in most territories of the Southern macro-region, including owing to the revision of the subsidised mortgage lending parameters and higher market interest rates on mortgage loans.

FOREIGN TRADE. As global prices for metals were high, the Southern macro-region expanded metal exports. There was an increase in watercraft and agricultural machinery shipments. According to the largest southern port, crude oil transshipment contracted due to high demand demonstrated by domestic oil refineries. In August, before the increase in the export duties, traders actively expanded grain exports.

Having implemented an investment project, a sea port in the Rostov Region almost tripled its storage capacities, planning to transship one million tons of grains already over the current agricultural year. A port in the Krasnodar Territory accomplished the reconstruction of a grain terminal, increasing its throughput capacity over 2.5 times.

HOUSING MARKET. In September, most developers expected a slower rise in housing prices and construction volumes as compared to the previous month. In order to support the demand for new housing, Sevastopol is developing the construction of cheap houses. Developers in the Volgograd Region plan to pass through their higher costs to apartment prices more actively. This is associated with higher prices for nearly all construction materials, fuelled by an increase in prices for logistics services, although wood and metal prices edged down somewhat in autumn 2021.

TOURISM. Despite less favourable weather conditions and the recovery of outbound tourism, the tourist flow in the macro-region at the beginning of autumn reached the level of last year, exceeding pre-pandemic readings. According to Azov and Black Sea coast companies, multi-star hotels and the leading health resorts remained especially popular. In September, their occupancy rates exceeded the levels of 2019. The occupancy rate at Caucasian Mineral Water health resorts was record-high (nearly 100%), including due to elevated demand for medical and health improving tourism. Tour operators reported increased demand for Krasnodar Territory, Crimean, and Caucasian Mineral Water resorts for the autumn school vacations and the November holidays. The demand for holidays in other regions was also high. Specifically, tourism companies in the Karachay-Cherkess Republic reported a 15–20% rise in reservations for October–November as compared to previous years' averages.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer demand changed diversely in August–September: its assessments improved in trade, yet declined in services. The majority of surveyed companies raised wages. In August, industrial output contracted as compared to July, which resulted from transitory factors, such as an accident at a large gas processing plant in Yamal. Pressure put by higher costs lowered somewhat. Consumer lending continued to expand fast.

CONSUMPTION AND INCOMES. In August–September, despite the worsening of the pandemic situation, traffic in shopping malls and food stores in cities in the Urals remained unchanged or exceeded the level recorded over the same period last year. Generally, retailers in the Urals improved their demand estimates, after their slight deterioration in July. Seasonally adjusted retail turnover resumed an upward trend, with online sales growing as well. According to a large online product delivery platform in Yekaterinburg, the number of orders doubled in Q3, in annualised terms. Over this period, consumer activity was still supported by wage growth, although it decelerated somewhat, and by the expansion of consumer lending. 70% of surveyed companies in the macro-region had already raised wages, and another 13% of respondents planned to do so until the end of the year. Labour remuneration increased amid persistent staff shortages in the industrial sector and services. Moreover, demand in August–September was also supported by one-time budget payments to certain groups of people. In contrast to 2020, this year recorded a seasonal rise in the demand for air flights in summer and early autumn. During this period, Ufa organised additional direct flights to the south of Russia, and Yekaterinburg announced the opening of new foreign destinations (Hungary, Malaysia, and Sri Lanka).

Nonetheless, the macro-region's service companies slightly worsened their current estimates of demand. In summer and early autumn, the pandemic situation remained challenging in the Urals, which might slow down the rebound in services. Regional authorities reintroduced some restrictions. Specifically, the Perm Territory launched the system of QR codes in October needed to visit public places.

PRICES. In August, seasonally adjusted inflation in the macro-region continued to decelerate as compared to July. This was driven by the expanded supply of local vegetables and an easing of airlines' and tour operators' pricing policies in a number of regions. Moreover, seasonally adjusted inflation was lower than Russian averages.

Companies' price expectations edged down for the first time since early 2021 amid a slower rise in business costs across a wide range of industries in the macro-region, while still staying elevated. Businesses decreased their price expectations due to expanded supply in the domestic commodity markets and lower commodity prices amid the effective export duties on metals and lumber.

MONETARY CONDITIONS AND BANKING SECTOR. According to assessments, price lending conditions tightened across all market segments in 2021 Q3. Surveyed banks expect this trend to remain in the near future. Although credit rates edged up slightly, consumer lending in the macro-region continued to expand fast.

In August, households' demand for the subsidised mortgage lending programme continued to go down, following the changes in its parameters. Contrastingly, the demand for the updated family mortgage programme increased. Specifically, in August, a country-level bank in the Sverdlovsk Region doubled the number of loans issued within this programme, in annualised terms.

METALLURGY AND METAL PROCESSING. The utilisation rate of production capacities at Ural metallurgical enterprises remained high in August. A large metallurgical enterprise of the macro-region reported steadily high demand in construction and automobile production. Moreover, it lowered prices for its products in August–September, following the introduction of the temporary export duties on metals. As reported by the Urals customs administration, the amount of charges almost doubled in September, as compared to monthly amounts prior to the introduction of the export duties on metals.

According to the macro-region's metal processing companies, prices for rolled metal stabilised and were not expected to rise until the end of the year, despite a high utilisation rate of production capacities. In particular, a large producer of metal building structures accumulated the largest possible number of orders to be fulfilled until the end of the year.

OIL AND GAS INDUSTRY. In August–September, oil production continued to bounce back in the Urals, including in the Khanty-Mansi Autonomous Area–Yugra, which is the largest oil production region of Russia. However, oil output remained below pre-pandemic levels. A large oil company in Bashkiria intensified work to put the idle oil wells back on production. Furthermore, large oil producers in the Orenburg Region expanded the production cluster, determined the locations for drilling new prospecting and appraisal wells, and discovered new oil reservoirs. Contractors reported an increase in the volume of work related to oil well drilling.

An accident at a gas processing plant in the Yamalo-Nenets Autonomous Area (the Tyumen Region) in August adversely affected gas supplies to both the domestic and external markets. An oil and gas holding company expects gas output to reach its 10-year high as of the end of 2021.

PETROCHEMICALS. In August–September, a large petrochemical complex in the Urals reported a complete recovery of the demand for petrochemicals as compared to pre-pandemic levels. Demand increased most significantly in automobile production and construction. Exports to Europe continued to expand amid growing demand in healthcare. The largest petrochemical enterprise in the Orenburg Region also recorded a rise in processing volumes.

A temporary decline in commodity supplies to petrochemical companies due to the accident at the gas processing plant in the Yamalo-Nenets Autonomous Area did not affect the output of petrochemicals in the Urals. The shortage of commodities was offset by supplies from other plants. The macro-region's major petrochemical plant continued to implement its investment project to expand its capacities for producing high octane gasoline and polymerisation grade propylene.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



The majority of industries in Siberia maintained a steady upward trend in August–September. The rise in the demand and prices for the key products of the Siberian industrial sector (including coal, metals, and lumber) promoted an active recovery of their output and sales. Electric power consumption still exceeded the 2019–2020 level. The volume of construction works was up. Consumer demand continued to increase. The macro-region had a good harvest of grains and potatoes.

CONSUMPTION AND INCOMES. According to food retailers, demand remained elevated. Furthermore, increasingly more consumers preferred discounters, regularly opting for special offerings.

Demand in public catering trended upwards, especially for business lunches and family lunches. However, the number of orders for banquets declined.

A lot of people visited cinemas to watch new movies, but the demand for drinks and popcorn decreased.

As reported by recreation centres, demand remained high. Guests started to make reservations for the New Year holidays, but demand is currently lower than last year.

Furniture manufacturers reported that the demand for customised furniture stayed high. New housing buyers and corporate clients increased the volume of orders.

PRICES. In September, annual inflation in the macro-region sped up to 7.8%. As weather conditions in the macro-region were unfavourable, the harvesting campaign of some vegetables was delayed. Agricultural companies complained about higher costs, including for feed, fertilisers, diesel fuels, and logistics services. Aluminium product manufacturers also raised prices due to high demand from automobile producers and increased prices for raw materials.

Companies' price expectations slightly lowered, while still staying elevated. The number of agricultural enterprises and food manufacturers planning price increases was up.

MONETARY CONDITIONS AND BANKING SECTOR. Corporate lending expanded in July, driven by trade and construction enterprises, as well as companies engaged in real estate operations. Demand in retail lending remained elevated as well. Consumer loans disbursed in August reached a multi-year peak. The amount of mortgage loans slightly declined in July–August as compared to 2021 H1, while still exceeding last year's readings. The demand for mortgage loans was supported by banks' and developers' joint programmes and by seasonal offerings and discounts granted to those buyers who used online platforms. The demand for the family mortgage lending programme increased.

According to banks, households demonstrated higher demand for deposits in August–September. Banks raised their deposit rates as early as September.

COAL MINING. In August–September, global coal prices reached new peaks. Siberian coal producers expanded output and sales. An increase in consumption was mainly driven by metallurgical enterprises and the housing and utility sector. Exports and domestic supplies to energy companies contracted.

According to a large coal producer's top manager, delays in the export plan were due to repairs at the eastern section, including after an emergency situation in the Zabaikalye Territory (the collapse of a bridge on the Trans-Siberian Railway caused by the flood). Nonetheless, export quotas for the East increased by 10% as early as October. The company expects to offset the delay in the plan.

A thermal and metallurgical coal producer adjusted its production structure due to the export quotas, expanding the output of thermal types and reducing coke production. The company has ramped up and continues to increase thermal coal exports as the current market situation is very favourable and prices for this product are peaking. Coke production and supplies are limited to the levels provided for by the current obligations (contracts).

As reported by a thermal coal supplier to the domestic market, it reduced coal shipments to Siberian energy companies as their consumption shifted towards hydropower due to the high water content of Siberian rivers. For this reason, power generation by thermal power stations decreased and, accordingly, the demand for coal declined as well.

According to coal businesses, demand and prices might trend downwards in the near future following the commissioning of the Nord Stream 2 project and the resumption of the operation of Chinese mines.

METALLURGY. In August–September, Siberian non-ferrous metal producers were positive about price trends and demand. According to respondents, this ensured favourable conditions for the plants' stable operation. In September, companies raised wages to their employees (by 8–10% on average). The macro-region carries out extensive work to commission the first stage of a new plant scheduled for 2021 Q4.

As reported by another producer of industrial metals, the metal price trends were positive. The company manages to fully maintain the scale and meet the schedule of the implementation of its investment projects and environmental initiatives.

WOOD PROCESSING. The majority of Siberian forestry enterprises continued steady operation, ramping up their output and maintaining high profitability of their business.

As reported by a large sawn lumber manufacturer, demand remains high and its capacity utilisation is at its highest level. A large portion of in-house raw materials was the key driver of its profitability. The enterprise expects demand to stabilise no earlier than in 2022 Q1–Q2. However, a significant adjustment in prices is unlikely.

According to a large particle board manufacturer, the market has calmed down somewhat, but still needs time to achieve a balance. In August–September, the company built up supplies to both the domestic and external markets. As it has its own raw material base, this ensures high capacity utilisation and limits the rise in costs and output prices. In October, the manufacturer plans to raise wages by 5–10% on average.

Demand trends are favourable in the biofuel segment as well. A large fuel pellet producer reported an increase in output and exports by 17% and 10%, respectively. However, due to high transportation costs comparable with production costs, the company's profitability is low. High logistics costs were the reason why another pellet producer failed to start exports, supplying products only to the domestic market.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In August–September, consumer activity in the macro-region trended upwards, driven by retail. Retailers and service companies expected demand to go up in the next three months. Companies' price expectations rose, spurred by higher costs. The demand for mortgage loans was supported by expectations of an increase in interest rates and housing construction. The expansion of imports and transit through Far Eastern ports extended cargo delivery periods and pushed up costs. Oil output contracted due to scheduled shutdowns. As external demand was up, this boosted coal output.

CONSUMPTION AND INCOMES. In September, retailers improved their estimates of demand and turnover expected in the next three months. Furthermore, retailers reported a short-term rise in demand, predominantly in the low-price segment, during the period of budget payments to households in August–September. Expectations regarding demand and output in services surged to the highest level observed since the outbreak of the pandemic.

In 2021, the majority of surveyed companies raised wages to their employees by no more than 5% and do not plan to increase them further until the end of the year. Enterprises in various industries reported a deficit of employees, primarily of low-skilled workers.

PRICES. In August–September, seasonally adjusted inflation decelerated against July and was below Russian averages. This was mostly driven by a slower rise in air fares (owing to the expansion of the route network). The growth of food prices sped up in September, largely due to a faster increase in prices for milk and meat products, fuelled by higher producer costs.

Companies raised their price expectations in September, most significantly in retail because of persistently rising input prices. Bakery manufacturers in various regions increased prices for their products in September or planned to do so due to higher flour prices and transportation costs. One of the companies was forced to switch to cheaper raw materials, which might affect the quality of its products. A number of companies complained about an increase in expenses related to anti-pandemic measures.

MONETARY CONDITIONS AND BANKING SECTOR. As before, the growth of the retail loan portfolio in August exceeded the Russian average. Demand in the consumer segment was supported predominantly by an easing of non-price lending conditions. According to large banks, the demand for mortgage loans was promoted by expectations of a rise in interest rates. Another driver was the implementation of new housing construction projects in a number of regions, with the engagement of a large country-level developer. In September, the number of loan applications under the 0.1% p.a. Far Eastern Mortgage programme was up after a large federal level bank joined this programme.

The growth of the corporate loan portfolio slowed down in July, mostly due to SME lending. Banks exhausted the limits available to small businesses under the subsidised lending programmes.

CARGO TRANSPORTATION. In August–September, the workload of the ports in the Primorsky Territory reached its maximum due to the expansion of imports to Russia and transit from China to Europe. The time for container handling increased along the entire logistics chain due to delays in finding places on container ships, queues of ships in the harbour waiting for unloading in ports, and waiting for rolling stock to deliver containers to the western regions of the country. As cargo supplies from Vladivostok ports were delayed and irregular, enterprises in Sakhalin faced a shortage of raw materials and components and had to incur extra costs to rent warehouses as supplies were only made in large batches.

Importers complained about delays in cargo supplies from Asia for up to six weeks behind the schedule, which was caused by the persistent deficit of containers and unfavourable weather conditions in a Korean port. Costs for container shipping from China to the Vladivostok port soared by a third for cargoes to be shipped in the second half of October, as compared to early August. Despite the above, transportation through Far Eastern ports and, further on, by railway to the western regions of the country and to Europe are still considerably cheaper than by sea. As a result, imports and transit along the Far Eastern Railway expanded 1.5 times this year, as compared to 2019.

FISHING AND FISH PROCESSING. By the end of September, salmon output was two times larger than last year, while staying below its 2018 record highs. As supply expanded in September, wholesale prices for pink salmon decreased against the previous year. Contrastingly, wholesale prices for expensive red salmon and chum salmon rose, driven by high demand in the domestic and external markets. Due to a shortage of available capacities in seaports, enterprises had to store products at their plants, which increased their costs. This problem was settled to a certain extent after a major transportation company purchased a large batch of large refrigerated containers and the Primorye Territory commissioned a new terminal for cooled products. Enterprises are pessimistic about storage prospects in the second half of October due to the start of the pollack fishing season.

MINING AND QUARRYING. In August, the macro-region's mining and quarrying output was below the level of 2019, dragged down by a reduction in oil supply following the depletion of a number of oil reservoirs. In the medium term, a large company's investment will boost oil output. Within the implementation of decarbonisation projects, the macro-region will supply the first batch of carbon-neutral liquefied natural gas to Japan in October 2021.

Expanded demand in Asia-Pacific countries contributed to an increase in oil output against 2019. However, as the railway capacity is insufficient, companies had to reduce their output plans for this year, as compared to the earlier announced targets. To solve the transportation problem, the government is developing possible projects to expand the Baikal-Amur Mainline.

High external demand increased proceeds from rough diamond sales this year. Conversely, due to contracted output, the quantities of diamonds sold decreased as compared to last year. The leading diamond mining enterprise partially offset a temporary deficit of products by selling in the external market the diamonds earlier purchased from government reserves at an auction.

BOX 1.

HETEROGENEOUS CONSUMER PRICE DYNAMICS

The growth of product and service prices sped up over the last year. Moreover, inflation movements were heterogeneous. Prices were impacted both by global factors associated with persistent epidemic risks and the aftermath of the pandemic and by more specific circumstances, for instance, tourism destinations that are popular in various Russian regions. As price movements are very diverse (across both product groups and regions), this complicates the perception of the current price growth and might cause an upward shift in both inflation observed by economic agents and inflation expectations.

During 2021, changes in prices for individual goods were becoming increasingly heterogeneous. Overall, recent months recorded a rise in annual inflation. Specifically, the median was up from 3.9% at the beginning of the year to 5.4% in September 2021 (Chart 1), and the annual increase in the consumer price index edged up from 5.2% to 7.4%. The growth of prices for individual products significantly varied as compared to the mean value. For instance, particle board prices nearly doubled over the year, soaring by 80.7%, whereas prices for face masks, to the contrary, plummeted by 17.6%. However, leaving out extreme values from the calculations, price growth rates across the majority of products in the consumer basket were close to mean values. Namely, price growth in September for a half of all products and services ranged from 3.2% to 8.1%. Earlier, this range was narrower. In particular, in March 2020 when inflation was 2.5%, this range was from 1.6% to 4.2%. In other words, the variation in growth rates expanded.

Moreover, the skewness of the price change distribution increased, with products showing faster price growth prevailing. The upper part of the distribution enlarged significantly.⁴ The increase in the share of goods demonstrating especially fast price growth resulted from the specifics of the current economic environment, namely supply-side constraints amid steadily expanding demand (furniture, construction materials, cars, electronic devices and household appliances).

HETEROGENEOUS PRICE DYNAMICS ACROSS PRODUCTS. **Construction materials, furniture, as well as tools and equipment** were steadily in the upper part of the inflation distribution this year. This was associated with soaring demand, spurred by the subsidised mortgage lending programme, and higher interest in countryside housing. In addition to demand, prices for construction materials and furniture were pushed upwards by higher producer costs, fuelled by increased global prices for metals and lumber, as well as higher logistics costs. Moreover, market supply lagged behind surging demand as enterprises lacked opportunities to quickly build up production capacities. The **car** market was affected by demand and supply gaps, as well as the persistent global deficit of electronic components. The crisis in the microcircuit market also influenced the output of smart TV sets. Coupled with higher costs for delivery from manufacturing countries, this spurred prices for **TV and radio goods**. This product category moved to the upper third of the distribution by the annual growth rate. Contrastingly, it was in the last place based on the two-year average price growth.

The situation in the market of **medical products** was the opposite. The two-year growth averages in this group were higher than in most other product categories, but this year they were close to the

⁴ Hereinafter, products and regions are distributed in descending order by price growth, with the highest rates in the upper part and the lowest rates in the lower part.

middle of the distribution. This could be because soaring demand at the outbreak of the pandemic had diminished.

The annual price growth rates of **sugar and sunflower oil** were among the highest ones among food products for a long period. This was associated with the surge in their prices at the end of last year, spurred by low sugar beet and sunflower harvests and higher global prices for sunflower oil. As wheat prices edged up, products made of **flour, including bakery products and pasta**, were in the upper part of the distribution.

Prices for animal products changed diversely. The growth of **egg and poultry** prices sped up due to higher costs for feed, a deficit of hatching eggs, and bird flu episodes. As a result, these products moved upwards in the price change distribution. Conversely, **milk, milk products and cheese** moved to the lower part of the price growth distribution this year, whereas they were in the upper third based on the two-year inflation averages.

In contrast to food and non-food products, proinflationary pressure was not so strong in most services and, accordingly, their prices rose to a lesser extent. Furthermore, prices for services related to **inbound and outbound tourism** were highly volatile, which was associated with the unstable epidemic situation. The positions of transportation services, foreign travel, and holidays at domestic health resorts in the inflation distribution changed considerably throughout 2021.

As usual, the lowest growth rates were demonstrated by such non-food goods as **clothing, footwear, furs, knitwear, and smallware**. Inflation in these product groups was lower than in other categories for a long period.

REGIONAL HETEROGENEITY OF INFLATION. Inflation trends in individual regions were also diverse. In September, annual inflation in the majority of Russian regions (80%) ranged from 6.1% to 8.7%. The highest inflation rate was recorded in the Republic of Dagestan (12.5%), while the lowest – in the Chukotka Autonomous Area (3.2%). Furthermore, regional heterogeneity of inflation increased moderately (Chart 2). Inflation sped up across all regions approximately at a similar pace. This was largely associated with the dominance of countrywide factors. However, certain product and service groups were characterised by high regional heterogeneity due to the non-uniform influence of countrywide factors or the impact of regional specifics.

CONSTRUCTION MATERIALS AND FURNITURE. Construction materials and furniture, which are among the product groups characterised by the highest regional heterogeneity, are also in the upper part of the price growth distribution. The range of the annual increases in prices for construction materials across regions equalled 50 pp, with the median approximating 28%. The median and variation of furniture price growth rates were lower: 11% and 22 pp, respectively. The highest price growth rates in both categories were recorded in a number of regions in the Northwest and Central Russia and the Volga Region, whereas the lowest rates were observed in the Far East and the North Caucasus. Heterogeneity of the growth rates of prices for construction materials and furniture was mostly caused by **differences in demand trends and the pace of housing commissioning**. Another important factor was the **availability of a regional raw material base and regional production capacities**, which impacted the level of competition and the extent of the pass-through of logistics costs to prices. Specifically, the commissioning by Ingushetia of a lumber factory covering nearly a half of the region's demand moderated the rise in sawn lumber prices.

TOURISM SERVICES. Volatile prices for tourism services also changed very diversely across regions. Price changes in outbound tourism were the most heterogeneous, with the range in the central part of the regional distribution being the largest among all services. The quick growth of prices in tourism in many regions was **spurred by elevated pent-up demand for holidays abroad**,

specifically in Turkey. Coupled with increased demand, prices in Siberia were also driven by a **limited number of international flights** from the regional airports (the Omsk and Kemerovo Regions, and the Republic of Khakassia). As regards the Far East, the most popular tourist destinations there are China and Southeast Asian countries. Hence, the reopening of other destinations did not speed up the rise in foreign tourism prices in these regions.

The movements of prices for health resort services also differed a lot across regions, with the variance of price increases being one of the largest (56 pp) and the median approximating 4%. **The demand for health resort services depended on the availability of alternatives** at domestic and foreign resorts and prices for holidays there. The most popular health resorts were in Central and Northwest Russia (e.g., in the Tula, Kostroma and Kaliningrad Regions and the Republic of Karelia). Moreover, there was a significant rise in the demand for North Caucasus health resorts. As a result, price increases in these regions were more considerable. **Low price growth rates** in some regions were associated with high competition in the market (e.g., in the Chelyabinsk Region) or **low demand due to poorly developed transport and logistics infrastructure**.

Air transportation prices also demonstrated high heterogeneity which depended on the **sufficiency of direct flights to popular destinations**, the availability of alternative routes, the level of **competition among carriers**, the effect of preferential programmes, and transitory factors, such as taxiway reconstruction.

FOOD. Speaking of food products, high regional heterogeneity of price movements was observed in product groups demonstrating high growth rates over this year, such as sugar, as well as fruit and vegetables characterised by high price volatility. The most considerable increases in prices for these products were recorded in the North Caucasus, in particular the Kabardino-Balkar Republic, North Ossetia, and the Stavropol Territory. Prices rose the least in the Udmurt Republic and the Oryol Region. The pace of sugar price growth depended on the availability of the **sufficient quantities of sugar beet and regionally produced sugar**. Another factor influencing price changes was **the portion of retailers in the regional market who joined the agreement with the government aimed at stabilising sugar prices**. The growth rates of fruit and vegetable prices also largely depended on the availability of the **sufficient quantity and the range of regionally produced** fruit and vegetables. In particular, a decline in profitability due to higher costs forced the largest producer in the Komi Republic to abandon the cultivation of some crops.

CARS AND ELECTRONIC DEVICES. As the deficit of semiconductors intensified in 2021, this exacerbated regional differences in the growth rates of prices for cars and electronic devices. In regions with **high competition among the retailers of electronic devices and household appliances** and the presence of country-level and regional trade networks (e.g., the Sverdlovsk and Saratov Regions) and auto dealers, prices for these goods increased more slowly than across Russia in general. A number of regions (the Republic of Adygeya, the Magadan Region, and the Chukotka Autonomous Area) opened new stores and order pick-up points, which slowed down inflation. Contrastingly, the competition in the markets of the Kursk and Kaluga Regions was estimated as weak, which pushed up prices faster.

According to regional retailers, the difference in price growth rates could also be associated with the **specifics of logistics**, including the geographical location or fast increases in cargo transportation rates. These factors could be the reason behind the rapid growth of prices in the Karachay-Cherkess Republic and the Pskov and Vladimir Regions.

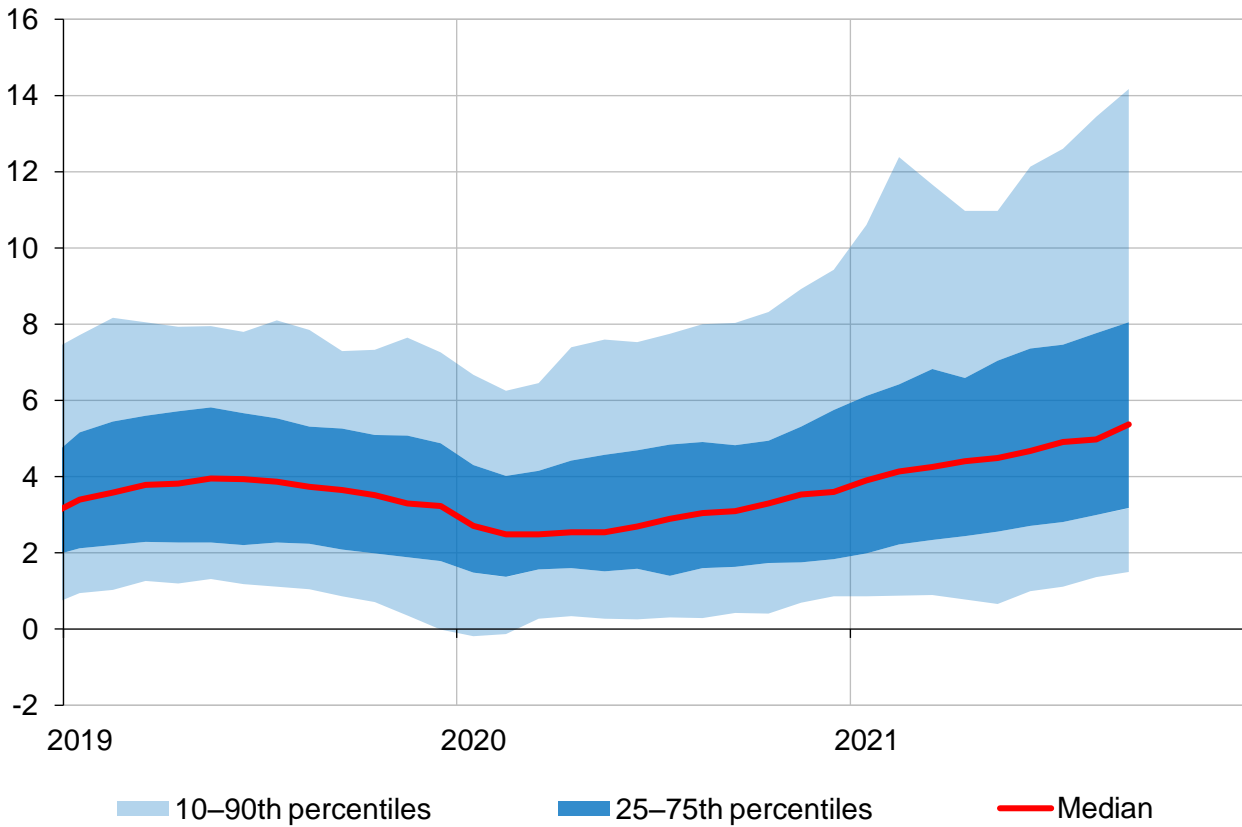
Regional heterogeneity was also impacted by the **level of incomes and debt burden**. As cars and many electronic devices and household appliances are often bought on credit, differences in the affordability of loans influenced the variance in price increases. For instance, the Moscow Region

was among the territories demonstrating a high growth rate of disbursed car loans and, alongside this, among the territories with the most significant increase in car prices. The Republic of Daghestan was one of the leaders by the growth rate of instalment loans within a large country-level bank's programme and by the smartphone price increase. Contrastingly, in a number of regions with a low level of incomes and high debt burden, households had limited opportunities to raise loans. Hence, the increases in prices for cars, electronic devices, and household appliances were below the averages. Furthermore, these regions tend to demonstrate higher demand for used cars, the prices for which rose less significantly as they were not affected by component supply problems.

PRODUCTS WITH LOW REGIONAL HETEROGENEITY. There were many products that demonstrated low regional heterogeneity. Specifically, price increases in the non-food group comprising **clothing, footwear, and other consumer goods** varied only slightly across regions. The average price growth rates across regions were below 4%. Nonetheless, the ranges of price increases in these product groups were larger this year than those of the two-year growth averages. **Meat product and pasta** prices also changed in a quite similar way across Russian regions, while staying in the upper part of the price growth distribution.

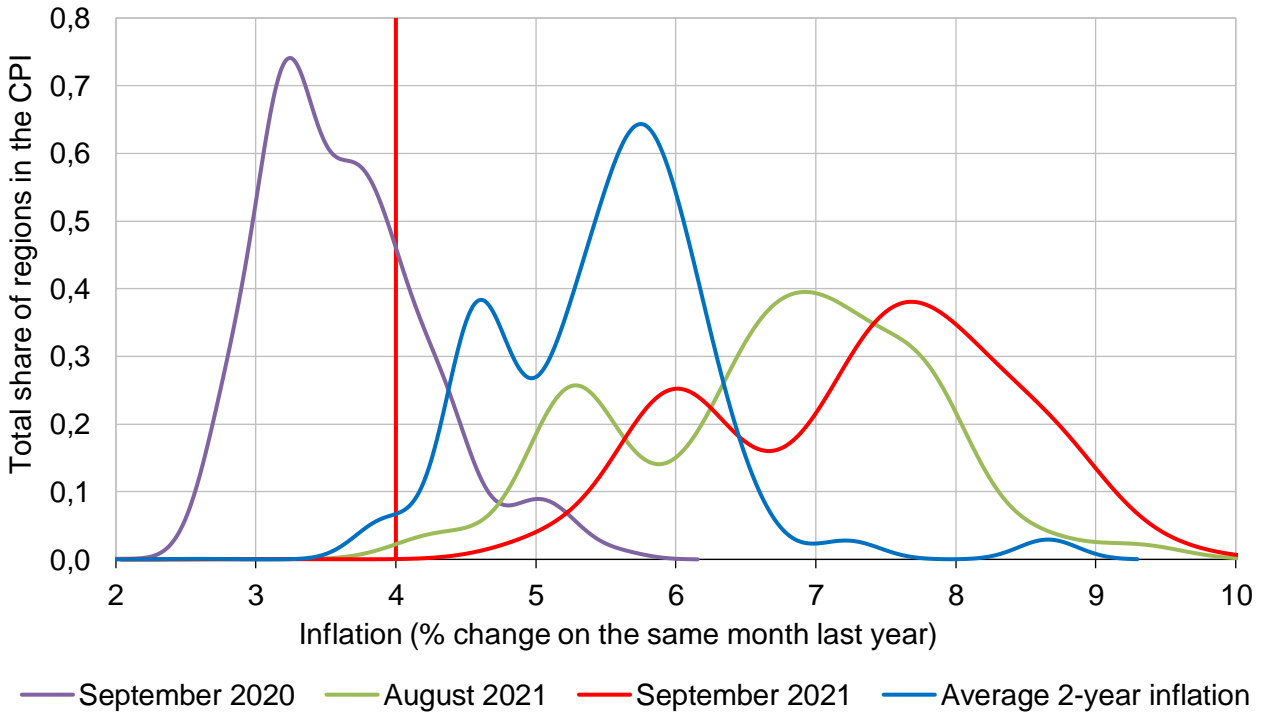
The current economic environment influenced different product markets diversely. Prices for durable goods, including cars, construction materials, electronic devices, and household appliances, increased faster than in other groups, including due to higher costs which enterprises were able to quickly pass through to prices as demand was high. Food prices were affected by higher global prices and the worsening of the epizootic situation. Furthermore, regional specifics could both intensify or weaken the impact of the factors observed.

Chart 1. Inflation across products and services (% on the same month last year)



Sources: Rosstat, Bank of Russia.

Chart 2. Inflation across regions (% on the same month last year)



Sources: Rosstat, Bank of Russia.

BOX 2.

PRELIMINARY RESULTS OF THE 2021 HARVEST CAMPAIGN AND THEIR IMPACT ON FOOD PRICES

According to the preliminary results of the 2021 harvest campaign, agricultural output will not exceed the levels of the previous year. Moreover, the harvest of grains and grain legumes is expected to be below the levels of not only the previous year, but also the five-year averages. Contrastingly, the portion and the quantities of food-grade wheat increased. However, individual regions report lower potato and vegetable harvests due to unfavourable weather conditions. A lower quality of the harvest, higher global prices, and the rise in agricultural enterprises' costs will continue to put pressure on food prices in 2021.

According to Rosstat, agricultural output as of August 2021 contracted by 10.1% year-on-year, which was the main drag on the annual growth rate of output in the key industries both this month and over July–August. Such a considerable decline largely stemmed from a downward trend in crop production caused by delayed sowing and related shifts in harvesting this year, including of grains. According to Russia's Ministry of Agriculture, 90% of the grain and grain legume areas were harvested as of 12 October 2021. Wheat, barley, and rape harvesting will also be completed soon. Corn, rice, sunflower, and soybean harvesting is underway. Moreover, there are still nearly five million hectares of grains to be harvested, which is significantly more than in previous years. Accordingly, the annual reduction in agricultural output might edge down in September–October, which will support output in the key industries in general.

Nonetheless, the grain harvest in 2021 is expected to be considerably smaller than last year. According to Russia's Ministry of Agriculture, it will total 127 million tons. Furthermore, most Russian exporters decreased their forecasts to 117.5–122 million tons, which is below the levels of not only 2020, but also the five-year averages. One of the reasons behind the worsening of expectations is the decrease in the grain harvest caused by unfavourable weather conditions in a number of Russian regions. As estimated by the regional Ministries of Agriculture, potato and vegetable harvests are also expected to be below the previous year's levels.

The said factors significantly accelerated food price growth in Russia in August–September. Over this period, seasonally adjusted (hereinafter, SA) fruit and vegetable prices surged by 9.7%. Prices for meat, poultry, and other products made of grains were also up (by 3.5%, SA). Their aggregate contribution to the CPI over these two months approximated 0.6 pp. As the harvest campaign is completed and the new harvest is supplied to the market, pressure on prices will weaken gradually. However, specific regional factors will still have a substantial impact on the pace of these processes.

GRAINS AND GRAIN LEGUMES. As reported by Russia's Ministry of Agriculture, 112 million tons of grains, including 76 million tons of wheat, were ground as of 12 October 2021. However, according to preliminary data, the grain harvest is below the five-year averages. This is associated with a whole range of different factors which vary across regions. Specifically, agricultural enterprises in the Urals refer to the drought that damaged a considerable portion of crops as the main reason for the decreased harvest. Agricultural companies in the Vladimir Region complain about the strong sun as the reason for poor grain filling, as a result of which they were unable to reach the harvest targets even after they had managed to address the drought challenge. Contrastingly, weather conditions

in the South were more favourable. Accordingly, agricultural output is expected to exceed the previous year's level.

Thus, **the preliminary results of the ongoing harvest campaign suggest that the output of grains will not exceed the level of 2020 and, as forecast by some Russian experts, might even decline below the five-year averages. As a result, grain supply in the domestic market might be below last year's readings. Coupled with higher prices in global markets, this will exacerbate upward pressure put on domestic prices.** Another proinflationary factor in the industry is the overall deficit of feed grain. As assessed by FSBI Centre for Grain Quality Assessment, the quality of new harvest wheat in Russia is better than in 2020, with the portion of food wheat reaching 88.1% (vs 70.4% in 2020). According to agricultural enterprises in most regions, this situation will highly likely **push up prices for feed (based on low-quality wheat) and, consequently, for milk and meat.** Finally, a considerable portion of agricultural companies complain about **higher costs for fuels, fertilisers, crop protection chemicals, and agricultural machinery. This spurs prices for grains even during the harvest campaign, which is not a seasonal factor.** Moreover, companies in a range of regions prefer to delay the supply of a part of their harvest forming stocks as they expect price trends to become even more favourable, which will in turn further drive prices upwards.

The Russian Government introduced a range of measures to limit the growth of prices for grains. Specifically, the grain damper is effective since 2 June 2021. This mechanism provides for floating export duties on wheat, corn, and barley, as well as the return of funds to the agricultural industry through investment. Furthermore, since early 2021, aiming to prevent an increase in prices for grain products, the Government grants subsidies to bakeries and mills to compensate for the costs they incur to purchase flour and grains. Tatarstan, in addition to the government measures, also pays regional compensations to the manufacturers of socially important products (e.g., bread). Some regions in Northwest Russia implement programmes providing for subsidies from the regional budgets granted to support businesses delivering products to remote and hard-to-reach localities, which, among other things, moderates the rise in product prices in these municipalities.

OIL CROPS. As assessed by Rosstat, oil crop areas in 2021 were 15% larger than in 2020, predominantly owing to a 14% increase in sunflower crop areas. As of 12 October 2021, 63% of sunflowers were harvested. According to preliminary data, the output of sunflowers is close to its five-year low. Enterprises in the South expect a considerable increase in the harvest owing to favourable weather conditions during sunflower vegetation. Some regions in Central Russia are also revising their harvest forecasts upwards. As expected by the regional Ministries of Agriculture, the output of sunflowers will slightly exceed the level of the previous year and the five-year averages. Beginning from September 2020, export prices for Russian sunflowers have been soaring, with the annual growth reaching 27% as of early October 2021. In order to reduce the profitability of exports, the Russian Government raised the export duty on sunflower seeds this year: beginning on 1 July, this duty amounts to 50%, but no less than 320 US dollars per ton. This has already decreased exports considerably as compared to 2020. The rise in global prices for sunflower seeds is largely translating into sunflower oil prices. In September 2021, the Government introduced a floating export duty on sunflower oil in order to limit the growth of its prices. Furthermore, until the end of September, the increase in consumer prices for sunflower oil was contained owing to the caps on retail prices and the subsidies granted to manufacturers to produce and sell products at a set price. **The expansion of oil crop areas, coupled with the restrictions on sunflower exports, will help ramp up supply in the domestic market. As a result, upward pressure put on prices in this market will weaken as compared to the previous year.**

SUGAR. In 2020, sugar beet crop areas decreased to the 2015 lows, which reduced the harvest and pushed up sugar prices in Russia. In 2021, the crop areas were expanded in all Russian regions, except the Altai Territory and the Volgograd Region, by a total of 8.3%. The increase in the crop areas will enlarge the total yield of sugar beet as compared to 2020. However, the sowing of sugar beet for the 2021 harvest was delayed, which also impacted the time of the harvest campaign: as of 12 October, 58% of sugar beet were harvested, and the output is below its five-year averages. The delays in the harvest campaign might cause a related short-term effect on market prices.

In 2020–2021, sugar prices surged. Specifically, their annual growth exceeded 29% as of September 2021. In order to stabilise sugar prices, the Government introduced duty-free sugar import quotas for certain importers which were effective from 15 May until 1 October. Coupled with the caps on sugar prices effective until 1 June 2021, duty-free imports helped stabilise prices in this market.

POTATOES AND VEGETABLES. Potato crop areas slightly decreased as compared to 2020. As of 12 October, agricultural enterprises and peasant farms harvested 81% of potatoes.

According to recent data from Russia's Ministry of Agriculture, the overall harvest of potatoes does not exceed previous years' readings. The dry weather in Central Russia, the Urals, and the Volga Region in summer 2021 certainly affected the quality of the potato harvest, with the majority of areas in these territories reporting a lower quality, namely smaller potato tubers. Owing to rainfall during the ripening stage in the South, the harvest is expected to be at least the same as in 2020. Large agricultural enterprises in Siberia report that the new harvest of vegetables and potatoes is close to the previous year's output. Moreover, businesses from other Russian regions where the harvest declined against last year are extensively buying potatoes. The storage life of the new potato harvest generally across Russia is estimated as close to the multi-year averages. However, the storage properties of the new harvest in Southern Russia are expected to be worse compared to the annual averages, but at least the same as in the previous year. **Overall, amid unfavourable weather conditions, total yield forecasts for Russia in general are still being adjusted, and agricultural companies and peasant farms expect the potato harvest to decline below previous years' readings. Moreover, companies in a range of regions report that they prefer to delay potato supplies until the winter, expecting potato prices to go up.**

Since 2021, open field vegetable areas have been decreasing annually. In 2021, they contracted by 0.2% vs 2020. As of 12 October, agricultural enterprises and peasant farms harvested 74% of open field vegetables. Their harvest does not exceed the five-year averages. Most regions report that the quality of vegetables has not changed as compared to 2020, and total yield forecasts are close to recent years' averages.

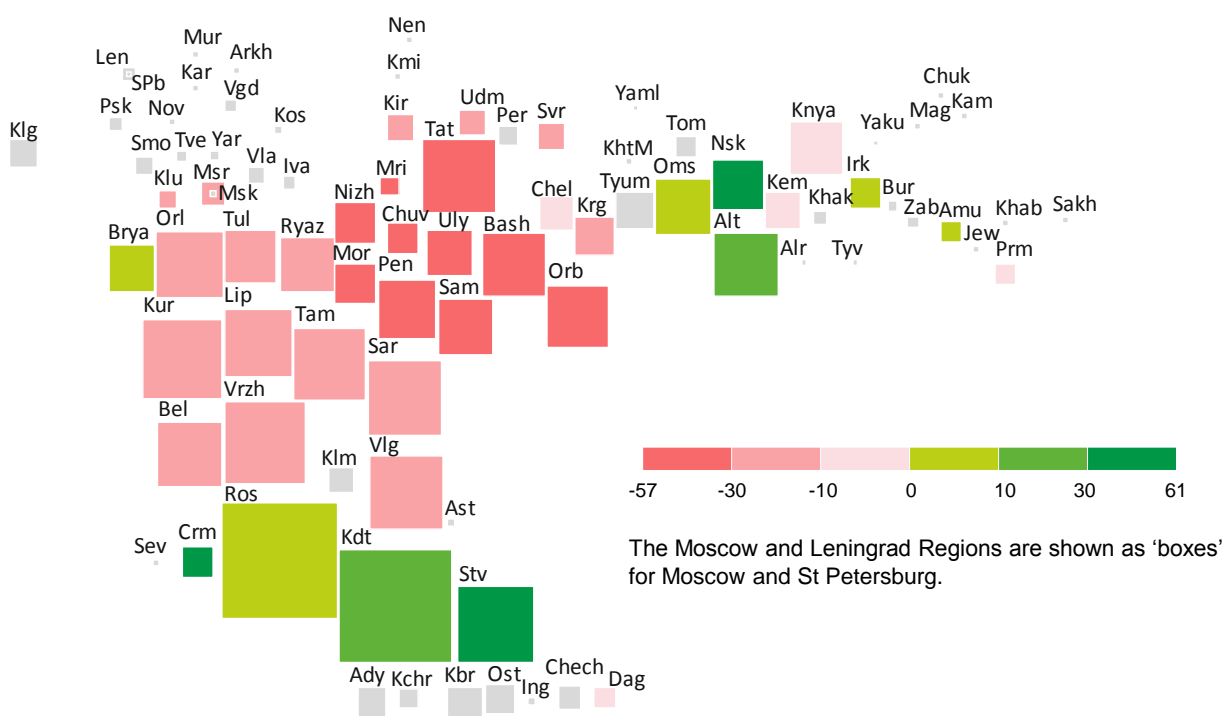
Enterprises in the Novgorod Region complain that they were forced to reseed greenhouse vegetables due to hot weather in June, which nearly doubled producer costs. **In the middle of summer 2021, a number of regions had special agreements concluded between manufacturers and retail chains to reduce retail margins. Moreover, there was an increase in the number of agricultural fairs where producers could sell their products directly to consumers. The Volga-Vyatka, North-Western, Far Eastern, Southern, and Central macro-regions report that a higher number of the fairs helped expand the supply of products directly from enterprises and reduce retail margins.**

Preliminary results of the 2021 harvest campaign suggest that upward pressure on food prices remains elevated. The supply of a considerable portion of agricultural crops in the domestic market is below the readings of not only the previous year, but also the five-year averages. This is associated with multiple factors, the most important of which is

unfavourable weather conditions (e.g., the drought in Central Russia and the Volga Region). These factors decreased the total yield and affected the quality of the harvest (specifically, of potatoes and vegetables). Coupled with the persistent rise in global prices for agricultural crops and increased pressure put by higher costs (for fertilisers, fuels, agricultural machinery, etc.), this will be the reason why the growth rates of consumer prices for vegetables, meat, poultry, and milk will remain elevated in 2021.

Chart 1. Grain harvest forecast for 2021 (% on 2020)

The sizes of the regions' signs correspond to their grain output in 2020.



Note: the regions without crop areas or with small crop areas are highlighted in grey.
Source: the regional Ministries of Agriculture.

Harvesting as of 6 October¹

	Total yield (m ha)	% on 2020	Harvest (100 kg/ha)	% on 2020
Grains	109	-12.9	26.3	-8.0
Wheat	75.5	-12.6	28.3	-6.6
Barley	18.4	-15.6	23.9	-11.2
Corn	4.3	-6.5	47.9	1.5
Oil crops				
Sunflowers	7.3	-3.9	16.2	-3.0
Rape	2.5	0.0	17.9	-7.7
Soybean	2	-23.1	16.7	-11.2
Sugar beet	17.1	2.4	377	5.2
Potatoes²	4.2	-16.0	212	-11.6
Vegetables²	2.9	-3.3	243	-12.1

¹ Recent data from Russia's Ministry of Agriculture.

² In agricultural companies and peasant farms.

Sources: Rosstat, Russia's Ministry of Agriculture.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.9	3.7	4.9	5.8	6.5	7.4	6.5	6.7	7.4
Core inflation	% YoY	3.1	4.2	3.3	4.2	5.4	6.6	7.6	6.8	7.1	7.6
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	-2.1	-4.4	-0.6	1.7	2.8		2.3	1.5	
Fixed capital investment	Cumulative, % YoY	2.1	-1.4	-3.1	-1.4	5.6	5.4				
Construction	3MMA, % YoY	2.1	0.1	1.1	0.8	3.0	6.4		8.8	9.5	
Housing commissioning	3MMA, % YoY	6.2	0.2	7.7	2.2	14.8	15.5		13.2	26.9	
Retail	3MMA, % YoY	1.9	-3.2	-0.8	-1.7	3.4	4.9		4.6	4.5	
Commercial services	3MMA, % YoY	0.5	-14.8	-14.5	-10.4	-2.8	-0.3		-1.1	-0.9	
Real wages	3MMA, % YoY	4.8	3.8	1.8	2.2	7.9	5.4		5.0		
Real disposable income	% YoY	1.7	-2.4	-3.7	-1.0	-0.7	-0.2				
Outstanding consumer loans	% YoY	17.6	7.0	7.9	7.0	7.4	15.7		16.4	17.2	
Outstanding mortgage loans	% YoY	19.2	21.6	20.1	21.6	23.2	29.0		28.7	27.8	
Non-financial organisations' outstanding bank loans	% YoY	4.7	9.4	10.0	9.4	7.2	10.4		11.3	11.5	
• Large borrowers	% YoY	3.5	7.4	7.6	7.4	4.4	6.7		10.5	9.6	
• SMEs	% YoY	12.9	21.9	25.5	21.9	24.6	32.1		16.0	22.9	
Companies' price expectations	Balance of responses, SA	10.2	16.5	16.0	19.6	19.6	26.3	25.3	25.2	25.8	25.0
Business Climate Index	pp YoY	1.0	-8.0	-1.9	-5.9	11.5	17.4		2.4	4.1	
• Current estimates	pp YoY	0.5	-7.9	-1.1	-4.9	8.4	23.0		2.8	4.6	
• Expectations	pp YoY	1.5	-7.9	-2.6	-6.9	14.7	10.9		1.9	3.5	

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.7	3.5	4.7	5.7	6.4	7.4	6.3	6.5	7.4
Core inflation	% YoY	3.2	4.2	3.1	4.2	5.5	6.6	7.9	6.8	7.2	7.9
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	8.6	10.6	31.6	25.1		27.0	26.5	
Fixed capital investment	Cumulative, % YoY	15.0	-3.4	-7.6	-3.4	12.5	10.1				
Construction	3MMA, % YoY	4.9	10.8	14.6	20.1	5.9	7.2		2.6	2.7	
Housing commissioning	3MMA, % YoY	8.1	-0.8	-17.1	26.0	2.6	18.0		8.1	23.3	
Retail	3MMA, % YoY	2.3	-2.1	1.5	-0.3	6.2	8.8		8.5	8.3	
Commercial services	3MMA, % YoY	2.7	-18.6	-20.5	-16.0	-7.0	3.7		3.5	4.1	
Real wages	3MMA, % YoY	6.2	3.4	2.6	4.4	10.4	5.7		6.6		
Real disposable income	% YoY	2.8	-2.7	-3.6	0.0	0.5	-1.8				
Outstanding consumer loans	% YoY	17.3	5.2	6.4	5.2	5.7	14.2		15.0	16.3	
Outstanding mortgage loans	% YoY	24.2	24.4	22.9	24.4	25.5	32.5		31.9	31.0	
Non-financial organisations' outstanding bank loans	% YoY	4.4	11.1	13.0	11.1	8.5	10.0		10.9	10.9	
• Large borrowers	% YoY	2.6	10.6	11.9	10.6	7.0	6.9		10.5	8.9	
• SMEs	% YoY	20.5	15.2	22.9	15.2	20.2	33.6		14.3	28.1	
Companies' price expectations	Balance of responses, SA	11.9	18.7	18.4	23.2	23.3	35.1	30.6	32.9	29.6	29.3
Business Climate Index	pp YoY	-0.1	-7.2	0.4	-5.2	11.1	18.8		1.6	1.7	
• Current estimates	pp YoY	-0.6	-7.3	0.8	-4.6	7.5	25.9		1.7	1.5	
• Expectations	pp YoY	0.5	-7.1	-0.1	-5.9	15.2	10.7		1.5	2.0	

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

Core indicators. North-Western Main Branch

Table 3

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.0	4.8	3.6	4.8	5.4	6.6	7.3	6.3	6.6	7.3
Core inflation	% YoY	3.2	4.0	3.4	4.0	5.2	6.7	7.3	6.6	6.9	7.3
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	3.4	-2.6	-4.4	-0.2	1.9	-1.5		0.0	0.0	
Fixed capital investment	Cumulative, % YoY	-15.9	-0.3	-3.2	-0.3	-9.4	-6.0				
Construction	3MMA, % YoY	-9.4	-10.2	-12.5	-18.5	-17.4	-9.1		-9.7	-12.1	
Housing commissioning	3MMA, % YoY	-1.3	-2.9	36.7	-8.4	38.7	25.3		42.7	68.5	
Retail	3MMA, % YoY	2.0	0.2	3.0	2.2	7.7	12.0		11.7	11.5	
Commercial services	3MMA, % YoY	0.0	-14.9	-15.2	-9.9	-2.3	-1.3		-2.8	-3.6	
Real wages	3MMA, % YoY	4.1	2.1	1.0	0.3	4.8	5.0		4.0		
Real disposable income	% YoY	0.6	-1.0	-2.8	-0.7	0.5	3.0				
Outstanding consumer loans	% YoY	18.4	6.9	7.7	6.9	6.9	15.4		15.9	16.6	
Outstanding mortgage loans	% YoY	21.5	22.0	21.0	22.0	23.1	28.8		28.2	27.3	
Non-financial organisations' outstanding bank loans	% YoY	3.0	9.2	1.6	9.2	9.1	14.2		16.1	18.7	
• Large borrowers	% YoY	3.0	1.9	-5.2	1.9	0.0	3.0		15.4	19.1	
• SMEs	% YoY	3.3	52.1	47.0	52.1	60.6	70.9		19.8	16.6	
Companies' price expectations	Balance of responses, SA	11.1	17.1	16.4	20.0	19.9	26.0	24.1	24.7	25.1	22.6
Business Climate Index	pp YoY	0.4	-7.6	-2.0	-6.4	11.0	16.1		4.3	6.6	
• Current estimates	pp YoY	0.2	-8.0	-1.3	-5.4	9.7	23.5		3.6	7.5	
• Expectations	pp YoY	0.5	-7.1	-2.8	-7.4	12.3	7.9		5.0	6.6	

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2019	2020	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	Jul	Aug	Sep
Inflation	% YoY	2.8	5.5	4.1	5.5	6.2	6.7	7.6	6.7	6.9	7.6
Core inflation	% YoY	3.1	4.7	3.6	4.7	5.9	7.1	8.1	7.5	7.7	8.1
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	2.8	-2.1	-1.9	-1.0	3.3	5.2		2.6	1.7	
Fixed capital investment	Cumulative, % YoY	0.6	-3.8	-7.0	-3.8	9.3	5.4				
Construction	3MMA, % YoY	2.8	-2.3	-1.8	-7.5	-9.2	5.3		7.6	13.3	
Housing commissioning	3MMA, % YoY	5.9	-5.9	12.7	-18.1	25.7	-3.3		0.3	5.1	
Retail	3MMA, % YoY	1.1	-4.4	-2.9	-4.5	-0.1	2.7		2.6	2.6	
Commercial services	3MMA, % YoY	0.2	-11.6	-10.8	-6.9	-0.5	-3.0		-4.0	-4.1	
Real wages	3MMA, % YoY	2.4	2.0	2.0	1.1	5.6	4.9		4.5		
Real disposable income	% YoY	1.2	-2.7	-4.5	-3.7	-3.7	-0.6				
Outstanding consumer loans	% YoY	17.6	7.1	7.8	7.1	7.3	16.2		16.8	17.5	
Outstanding mortgage loans	% YoY	14.9	19.7	17.6	19.7	21.4	26.2		26.0	25.3	
Non-financial organisations' outstanding bank loans	% YoY	-3.6	3.5	-0.3	3.5	2.0	6.6		12.5	13.3	
• Large borrowers	% YoY	-4.0	-2.5	-6.5	-2.5	-3.6	2.1		11.2	12.5	
• SMEs	% YoY	-2.2	24.3	22.5	24.3	22.4	21.5		16.5	16.0	
Companies' price expectations	Balance of responses, SA	11.4	18.5	22.3	19.3	24.5	32.4	32.0	30.0	30.8	32.0
Business Climate Index	pp YoY	1.6	-9.7	-2.6	-6.6	11.4	19.3		1.2	1.8	
• Current estimates	pp YoY	0.6	-10.1	-2.0	-4.9	8.6	27.2		3.0	4.1	
• Expectations	pp YoY	2.7	-8.9	-3.2	-8.4	14.2	10.3		-0.8	-0.6	

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

Core indicators. Southern Main Branch

Table 5

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	2.8	5.4	3.8	5.4	6.6	7.3	8.5	7.1	7.6	8.5
Core inflation	% YoY	3.2	4.2	3.4	4.2	5.6	6.7	7.8	6.8	7.1	7.8
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	0.3	-0.9	6.4	4.5		4.4	2.9	
Fixed capital investment	Cumulative, % YoY	-5.1	1.2	3.0	1.2	17.5	5.3				
Construction	3MMA, % YoY	-4.0	-2.3	0.7	-4.7	0.4	-2.3		6.2	9.9	
Housing commissioning	3MMA, % YoY	7.3	5.9	5.8	13.3	10.7	21.0		24.0	33.3	
Retail	3MMA, % YoY	2.0	-3.2	0.0	1.2	6.4	7.0		5.8	5.2	
Commercial services	3MMA, % YoY	-0.9	-8.4	-1.0	-2.1	6.8	6.4		4.7	5.0	
Real wages	3MMA, % YoY	2.7	1.9	0.2	0.8	5.2	4.0		2.8		
Real disposable income	% YoY	0.6	-1.9	-0.1	-1.3	2.1	-3.8				
Outstanding consumer loans	% YoY	19.8	7.5	8.6	7.5	7.2	15.6		16.6	17.6	
Outstanding mortgage loans	% YoY	19.5	23.7	21.5	23.7	26.5	32.0		32.2	32.0	
Non-financial organisations' outstanding bank loans	% YoY	4.5	3.6	3.4	3.6	3.5	10.7		10.2	7.2	
• Large borrowers	% YoY	3.9	0.3	0.4	0.3	0.0	9.5		10.0	2.3	
• SMEs	% YoY	6.4	13.9	13.4	13.9	14.0	14.2		10.9	21.7	
Companies' price expectations	Balance of responses, SA	8.6	14.9	14.7	17.7	16.9	20.3	20.4	20.4	21.1	19.8
Business Climate Index	pp YoY	0.9	-7.2	-1.4	-5.1	12.5	16.7		2.7	2.5	
• Current estimates	pp YoY	-0.4	-8.7	-0.2	-3.9	9.4	28.0		3.0	2.3	
• Expectations	pp YoY	2.2	-5.3	-2.6	-6.2	15.8	3.4		2.4	2.7	

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

Core indicators. Ural Main Branch

Table 6

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.1	4.4	3.4	4.4	5.2	6.1	6.7	6.1	5.9	6.7
Core inflation	% YoY	3.0	4.0	3.0	4.0	5.0	6.3	7.1	6.5	6.6	7.1
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	-4.8	-1.1	2.5	4.9		5.0	2.9	
Fixed capital investment	Cumulative, % YoY	-3.0	1.5	5.9	1.5	-0.8	-2.3				
Construction	3MMA, % YoY	-6.2	6.4	15.7	-12.0	4.6	-0.7		6.6	14.8	
Housing commissioning	3MMA, % YoY	8.3	2.9	14.5	-5.1	19.9	27.7		27.5	28.0	
Retail	3MMA, % YoY	1.5	-4.1	-2.9	-4.2	0.2	2.8		0.8	-0.2	
Commercial services	3MMA, % YoY	-0.1	-15.8	-19.3	-10.3	-2.5	-3.6		-6.5	-7.9	
Real wages	3MMA, % YoY	1.9	2.1	1.6	1.8	4.6	4.0		3.6		
Real disposable income	% YoY	1.3	-3.9	-6.7	-4.1	-3.5	-3.3				
Outstanding consumer loans	% YoY	17.7	7.8	8.9	7.8	8.1	16.1		16.3	16.7	
Outstanding mortgage loans	% YoY	14.2	17.8	16.5	17.8	19.4	24.5		24.0	22.1	
Non-financial organisations' outstanding bank loans	% YoY	6.9	3.9	6.6	3.9	2.3	10.4		11.1	12.1	
• Large borrowers	% YoY	7.0	1.1	3.9	1.1	-0.6	7.7		9.4	10.4	
• SMEs	% YoY	6.0	26.0	27.3	26.0	26.2	29.7		23.2	23.7	
Companies' price expectations	Balance of responses, SA	11.5	14.6	15.1	18.3	17.9	23.0	27.5	27.9	30.3	24.4
Business Climate Index	pp YoY	2.0	-9.5	-4.1	-7.3	11.7	17.2		3.0	4.0	
• Current estimates	pp YoY	1.2	-8.2	-1.0	-3.8	9.7	24.2		2.9	3.0	
• Expectations	pp YoY	2.9	-10.7	-7.4	-10.8	13.5	9.3		3.1	5.0	

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

Core indicators. Siberian Main Branch

Table 7

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.7	4.9	3.8	4.9	5.8	6.8	7.8	7.0	7.4	7.8
Core inflation	% YoY	3.3	4.4	3.4	4.4	5.2	6.6	7.9	7.0	7.4	7.9
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	-3.8	-4.5	-3.7	-3.8	-4.4		-3.5	-1.1	
Fixed capital investment	Cumulative, % YoY	7.4	1.7	-1.5	1.7	8.8	8.7				
Construction	3MMA, % YoY	6.7	-7.1	-10.1	2.2	1.3	4.6		0.4	0.4	
Housing commissioning	3MMA, % YoY	4.5	0.3	25.0	9.2	16.4	13.6		-5.8	14.0	
Retail	3MMA, % YoY	2.7	-3.3	-2.4	-3.5	1.4	2.3		1.8	2.1	
Commercial services	3MMA, % YoY	0.6	-10.7	-10.1	-6.3	-0.6	-1.9		-3.7	-4.1	
Real wages	3MMA, % YoY	2.3	2.5	2.7	2.1	4.8	4.9		4.5		
Real disposable income	% YoY	0.8	-2.2	-2.7	-3.1	-4.4	-0.3				
Outstanding consumer loans	% YoY	15.9	9.1	9.3	9.1	9.8	18.0		18.8	19.3	
Outstanding mortgage loans	% YoY	15.8	18.9	18.0	18.9	20.8	26.3		26.2	25.9	
Non-financial organisations' outstanding bank loans	% YoY	3.8	5.2	11.0	5.2	-2.1	-3.1		-4.3	-3.6	
• Large borrowers	% YoY	2.1	1.8	9.0	1.8	-7.6	-9.3		-9.3	-8.3	
• SMEs	% YoY	11.9	19.5	20.4	19.5	23.6	25.7		18.9	17.0	
Companies' price expectations	Balance of responses, SA	8.6	15.7	15.0	18.6	18.2	26.0	25.9	26.4	27.5	23.9
Business Climate Index	pp YoY	1.7	-7.2	-2.9	-5.8	10.8	15.7		2.0	7.3	
• Current estimates	pp YoY	2.5	-8.3	-3.1	-5.2	8.1	22.5		1.4	10.4	
• Expectations	pp YoY	0.9	-5.9	-2.5	-6.3	13.6	8.0		2.6	4.0	

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

Core indicators. Far Eastern Main Branch

Table 8

		2019	2020	2020	2020	2021	2021	2021	Jul	Aug	Sep
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	3.8	5.0	3.9	5.0	5.3	5.4	6.1	5.7	6.0	6.1
Core inflation	% YoY	3.3	3.9	3.5	3.9	4.6	4.9	5.7	5.3	5.4	5.7
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	-10.8	-0.9	-0.5	0.8		-0.8	-2.7	
Fixed capital investment	Cumulative, % YoY	8.2	-15.2	-18.6	-15.2	-15.3	-4.2				
Construction	3MMA, % YoY	37.0	-12.5	-26.0	8.1	-18.1	-24.9		-24.9	-24.5	
Housing commissioning	3MMA, % YoY	8.6	3.4	17.4	-1.5	11.2	19.0		25.6	35.5	
Retail	3MMA, % YoY	3.9	-2.7	-1.6	-0.5	6.7	6.5		3.9	2.1	
Commercial services	3MMA, % YoY	-2.1	-17.9	-15.9	-13.9	-6.8	-16.1		-16.2	-14.8	
Real wages	3MMA, % YoY	3.3	1.4	-0.2	0.5	6.3	4.4		2.3		
Real disposable income	% YoY	2.2	-2.4	-4.1	-3.2	-1.4	-0.8				
Outstanding consumer loans	% YoY	16.7	9.2	9.7	9.2	9.7	17.0		17.9	18.3	
Outstanding mortgage loans	% YoY	20.2	23.8	22.7	23.8	25.1	30.2		30.8	31.1	
Non-financial organisations' outstanding bank loans	% YoY	29.9	32.2	30.0	32.2	34.0	38.2		34.3	32.9	
• Large borrowers	% YoY	27.4	32.7	25.3	32.7	37.7	42.9		39.9	36.2	
• SMEs	% YoY	40.2	30.4	49.1	30.4	21.0	22.6		15.4	20.8	
Companies' price expectations	Balance of responses, SA	9.0	14.3	14.0	14.8	14.8	19.1	19.9	19.0	18.8	22.0
Business Climate Index	pp YoY	1.2	-7.5	-4.1	-7.3	6.7	12.0		2.6	6.8	
• Current estimates	pp YoY	1.1	-9.1	-4.4	-8.1	4.6	18.2		6.0	6.9	
• Expectations	pp YoY	1.4	-5.8	-3.6	-6.4	9.0	5.1		-1.2	6.7	

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