



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

No. 1 (71) • January 2022

Information and analytical commentary

15 February 2022

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (JANUARY 2022)

- The average spread between RUONIA and the Bank of Russia key rate narrowed to -27 bp (vs -29 bp in the December averaging period (AP); over 2021: -15 bp).
- In January, an outflow related to budgetary operations resulted in a decline in the structural liquidity surplus.
- The foreign currency liquidity situation remained relatively moderate. The spread between interest rates in the FX swap and RUONIA (basis) segments was stable during the most part of the January AP. However, it expanded to -78 bp by the end of this period. This could be in part attributed to the partial restoration of long ruble positions in the FX swap market by non-residents.
- In January, higher yields in money and debt market were related to the revision of market participants' expectations regarding further tightening of the Bank of Russia's monetary policy and higher proinflationary risks, as well as an increase in risk premium in yield curves due to elevated geopolitical tensions.
- In December, households were persistently building up their bank account balances. At the end of the month, banks recorded an inflow of funds to current accounts which was typical on the eve of the New Year. However, in December 2021, the contribution of current accounts to the growth of households funds with banks was well below the levels of previous years. The growth of deposit rates sped up amid the tightening of the monetary policy and the Bank of Russia's tough rhetoric with regard to monetary policy decisions.
- In 2021 Q4, the growth in lending rates became the driver of the tightening of lending conditions for all main categories of borrowers.
- The ongoing recovery of economic activity coupled with concerns about the further growth of lending rates facilitated the expansion of corporate lending in December. New mortgage loans reached fresh highs in December, whereas lending activity in the unsecured consumer segment posted a seasonal drop, due in part to the constraining effect of macroprudential measures introduced in July and October.
- Increase in money supply in December was mainly driven by growing bank lending. In December, the annual growth of broad money supply totalled 11.3% vs 11% in November. Growth in money supply mainly came from ruble deposits.

MONEY MARKET AND OVERNIGHT RATES (RUONIA)

In the January required reserve (RR) averaging period (AP), the spread between RUONIA¹ (the Bank of Russia's operational benchmark) and the Bank of Russia key rate² narrowed to **-27 bp** (in the December AP: -29 bp; in 2021: -15 bp) (Chart 3). The spread volatility was **16 bp** (in the December AP: 23 bp; in 2021: 21 bp).

The structural liquidity surplus averaged **0.8 trillion rubles** over the January AP (vs 0.9 trillion rubles in the December AP). As of early February, liquidity surplus declined by 1.6 trillion rubles to 0.1 trillion rubles vs the beginning of the previous month because of the January outflow of budgetary funds (Table 2).

At the very beginning of the January AP, the spread between RUONIA and the Bank of Russia key rate widened because of a lower demand for liquidity demonstrated by key market players. As a result, individual banks deposited their excess liquidity at lower than usual interest rates. On tax days, the outflow of funds from banks created short-lived liquidity deficit. During that period, the spread between RUONIA and the key rate shrank, as expected, though remaining in negative territory. Being consistent with the changes in budget operations, the decrease in the limit at the Bank of Russia's one-week deposit auction on 25 January helped reallocate part of funds in the money market. Banks which failed to deposit their excess funds at the mentioned deposit auction provided them to other banks which needed liquidity after tax payments. Over the last week of the AP, some major participants raised their demand for liquidity despite the continued high volume of Bank of Russia loans issued at a fixed rate. This led to a higher concentration of net borrowers in the IBL segment, as well as to a pickup in activities in other money market segments (REPO and FX swap). Major players were able to raise funds at more favourable terms, as during that period creditors in the IBL market were mainly not so large participants which had predominantly completed the averaging of RR. As a result, the spread temporarily widened. On 8 February, seeking to narrow the gap between RUONIA and the key rate, the Bank of Russia held a 'fine-tuning' deposit auction.

In January, operations over budget accounts led to the outflow of liquidity from the banking sector in the amount of 0.8 trillion rubles. Budget revenue was up due in part to an increase in receipts of core taxes. The growth of the mineral extraction tax has slowed down, as expected, on the back of the decline in oil prices in December 2021. At the same time, budget expenditures and the inflow of funds under Federal Treasury (FT) operations were not able to completely offset the outflow of liquidity after tax payments. Moreover, at the end of January, the Bank of Russia decided to suspend its fiscal rule-based foreign currency purchases, which also reduced the inflow of liquidity to banks.

In January, the volume of cash in circulation declined by 0.3 trillion ruble following the collection of retailers' earnings after New Year holidays.

The forecast of the structural liquidity surplus for the end of 2022 will be refined with account of the updated macroeconomic forecast in the February release of the Monetary Policy Report.

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

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

MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

OIS (ROISfix) curve.³ In January, the OIS curve continued to shift upwards for the fifth month in a row. In January, the ROISFIX curve with one- and two-week yields slightly grew by 6 bp and 13 bp, respectively, and over one-month yields grew by 82–127 bp (Chart 5). The rise in yields is caused by both the upward revision of expectation for further key rate changes given the growing inflationary risks and higher risk premium due to geopolitical tensions. **The MosPrime 3M – OIS 3M spread** averaged 38 bp in January (vs 72 bp in December 2021; 54 bp in 2021 H2; and 53 bp in 2021 H1), fluctuating from -5 bp to 69 bp over the month. The spread volatility is due to a time-lagged response of MosPrime quotes to growing OIS quotes amid rising risks.

IRS curve.⁴ As of the end of January, the short end of the IRS curve also went up, with two to six month yields growing by 20–40 bp and longer-term yields (one to ten years) changing more significantly (from +60 bp to +135 bp). The high volatility of the long end of the curve is conditioned on the revision by market participants of the risk premium also reflected in the curve amid escalating geopolitical tensions.

Market participants' and analysts' key rate expectations were up over the month: according to financial market indicators, market participants expect the average key rate to range from 9.50% to 10.00% in the middle of 2022, which is higher than the expectations of analysts surveyed by Bloomberg and Refinitiv (Table 1).

MARKET PARTICIPANTS AND ANALYSTS RAISED THEIR KEY RATE EXPECTATIONS CONSIDERABLY

Table 1

Key rate expectations based on market indicators*	June 2022	September 2022
– MosPrime 3M (FRA)	10.02 (8.55)	9.85 (8.35)
– RUONIA (ROISfix)	10.58 (8.32)	10.43 (8.96)
– RUONIA (futures)	10.05 (8.35)	10.00 (9.25)
Analysts' key rate expectations*	As of 31 June 2022	As of 30 September 2022
Bloomberg survey	8.90 (8.50)	8.50 (8.00)
Refinitiv survey	9.50 (8.75)	9.25 (8.50)

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

PUBLIC DEBT MARKET

OFZ yield curve. In January, OFZ zero coupon yield curve shifted upwards along its entire length (Chart 9): OFZ 1Y – 9.72% (+166 bp), OFZ 2Y – 9.67% (+146 bp), OFZ 5Y – 9.60% (+127 bp), and OFZ 10Y – 9.42% (+105 bp). Over the past few months, excluding the second part of December 2021, the OFZ curve remained inverted: the spread between ten- and two-year OFZ yields was -25 bp (vs 9 bp in the previous month). OFZ yield growth for all maturities was associated with both expectations of additional tightening in monetary policy and with elevated geopolitical factors. Since November 2021, Russia's risk premium has been rising. By the end of January, Russia's 5-year CDS spread was 223 bp (+96 bp), hitting a high since March 2020. Besides, the OFZ yield curve was

³ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

⁴ The IRS curve represents market prices for interest rate swaps against MosPrime 3M.

pushed upwards by expectations of a faster monetary policy normalisation in the USA and other advanced economies.

In January 2022, market participants waited for the Fed's to raise the policy rate at least by 100 basis points as early as 2022. As a result, **yields** on two-year **U.S. Treasury bonds** grew to 1.18% (+41 bp), and yields on ten-year bonds – to 1.78% (+15 bp), which is the maximum reading since January–February 2020.

In January, as in the previous three months, **foreign investors reduced their investments in OFZs**. Compared to December 2021, the outflow grew by 18 billion rubles to 126 billion rubles (Chart 11). Despite a certain stabilisation in the market in late January, non-residents' sales were relatively even throughout the whole month.

In January, **OFZ placements** dropped considerably to 28.6 billion rubles (vs 128.5 billion rubles in December 2021) amid a rise in the volatility of rates in the OFZ market. The worse situation in the debt market reduced the activity of the Russian Ministry of Finance, as a result, only two auctions were held during the first working week in January.

Box 1

Other financial markets

Foreign currency liquidity. In December 2021 – January 2022, the volume of highly liquid foreign currency assets remained virtually unchanged. According to preliminary data, after dropping in December, they grew in January to the 2021 average (Chart B-1-1). The spread between interest rates in the FX swap and RUONIA (basis) segments ranged from -36 bp to 24 bp during the most part of the January AP. However, it expanded to -78 bp by the end of this period, which could be in part attributed to the partial restoration of long ruble positions in the FX swap market by non-residents. The average basis in the January AP was -13 bp (in the December AP: +5 bp; and over 2021: -4 bp).

Foreign exchange market. The trend of the past two months remained in force: in January, the ruble was predominantly weakening in reaction to changes in geopolitical and sanctions risks. At the end of the month, the exchange rate adjusted from the low value (26 January) of RUB/USD 80.22 recorded in March 2020 to reach RUB/USD 77.39 (-3.6%). A considerable drop in the exchange rate on that day is related to the escalated geopolitical tensions (Antony J. Blinken's speech) and the Fed's harsh signals about a likely rate increase in March 2022. High oil and gas prices, attempts to alleviate tensions (the meeting between A.J. Blinken and S. Lavrov), as well as the suspension by the Bank of Russia of its fiscal rule-based foreign currency purchases helped the ruble to appreciate by the end of the month from its peak value of RUB/USD 80 to 77. Over the year, the change of the ruble exchange rate against the US dollar was -1.9% YoY (vs February 2021).

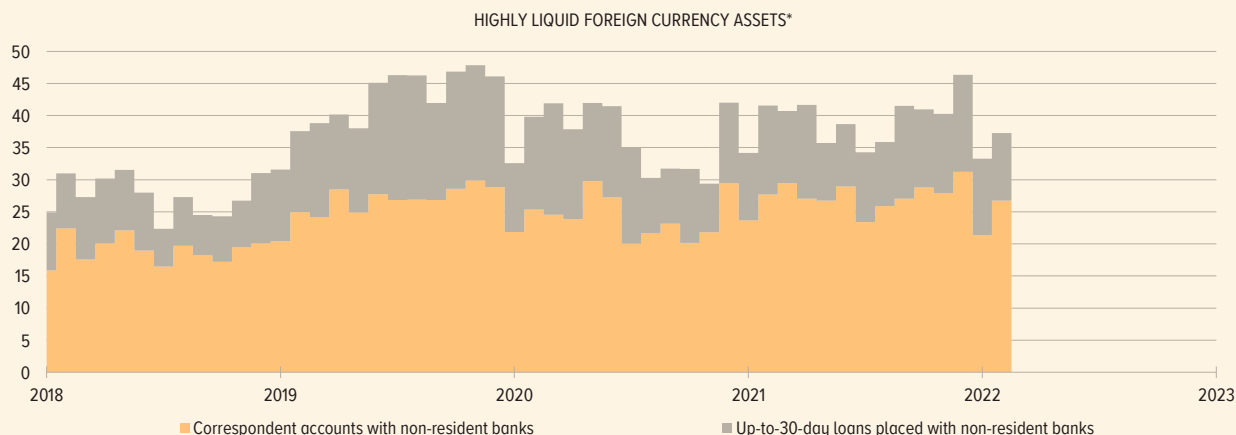
Conversely, other EME currencies appreciated by 1.5% in average (Chart B-1-3). This was mainly due to the currencies of Brazil (+5.0%) and South Africa (+3.7%). The strengthening of the Brazilian real was likely associated with the news about the 2021 budget surplus which happened for the first time since 2013.

According to data on foreign currency purchases in the on-exchange and over-the-counter markets (Chart B-1-4), non-residents remained the key buyers of foreign currency in January. The volume of their monthly purchases is two to three times the 2021 average monthly volume for the third month in a row.

Equity market. In January, US dollar denominated stock indices mainly weakened. The S&P 500 was down 5.3%, the MSCI Europe was down 4.6%, and the MSCI EM was down 1.9% (Chart B-1-6). The decline in Russian exchanges was more considerable due to the escalating geopolitical tensions: the MOEX Index and the RTS Index lost 6.8% and 10.1%, respectively. Despite global negative trends accentuated by increased local risks, the MSCI Russia index performed better (+4.4% YoY) compared to EMEs on average (-10.5%). EME assets were influenced by the global move away from risky assets in anticipation of a faster tightening of the US monetary policy.

**HIGHLY LIQUID FOREIGN CURRENCY ASSETS REACHED THE PEAK SINCE DECEMBER 2019
(AS OF 1 JANUARY)**
(BILLIONS OF US DOLLARS)

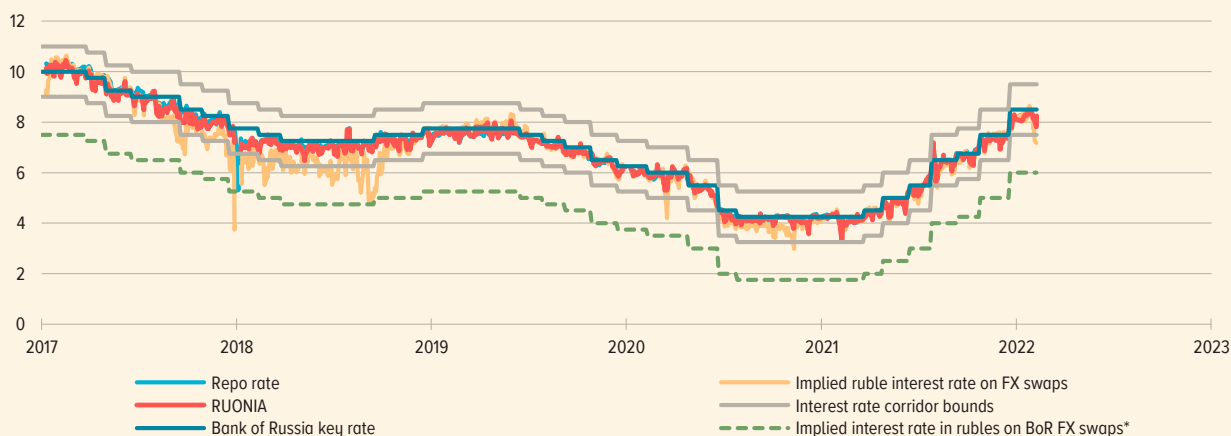
Chart B-1-1



* Excluding foreign currency cash at credit institutions' cash offices.
Source: Bank of Russia calculations.

**THE SPREAD BETWEEN INTEREST RATES IN THE FX SWAP AND RUONIA (BASIS) SEGMENTS
(% P.A.)**

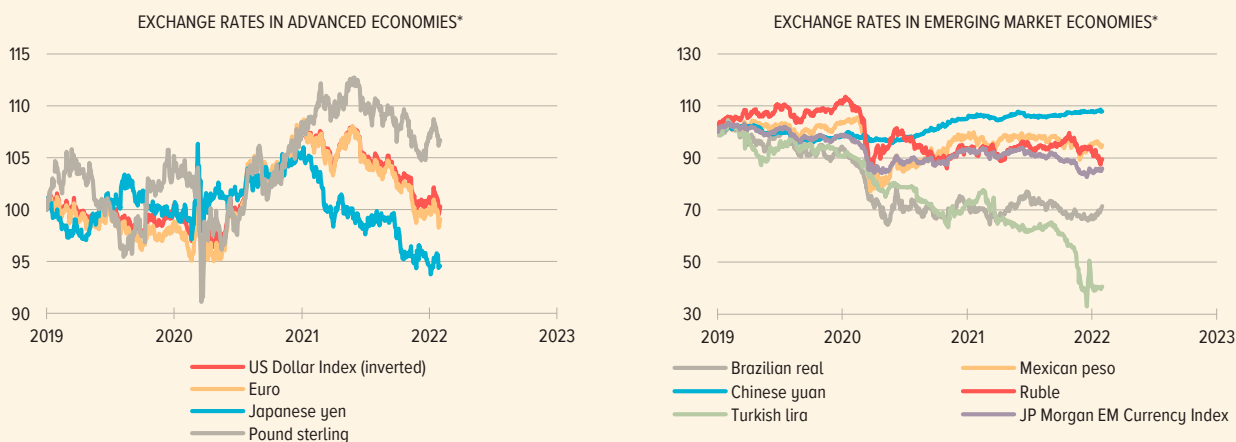
Chart B-1-2



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

**EMES' CURRENCIES MOSTLY WEAKENED AGAINST THE US DOLLAR IN JANUARY
(02.01.2019 = 100)**

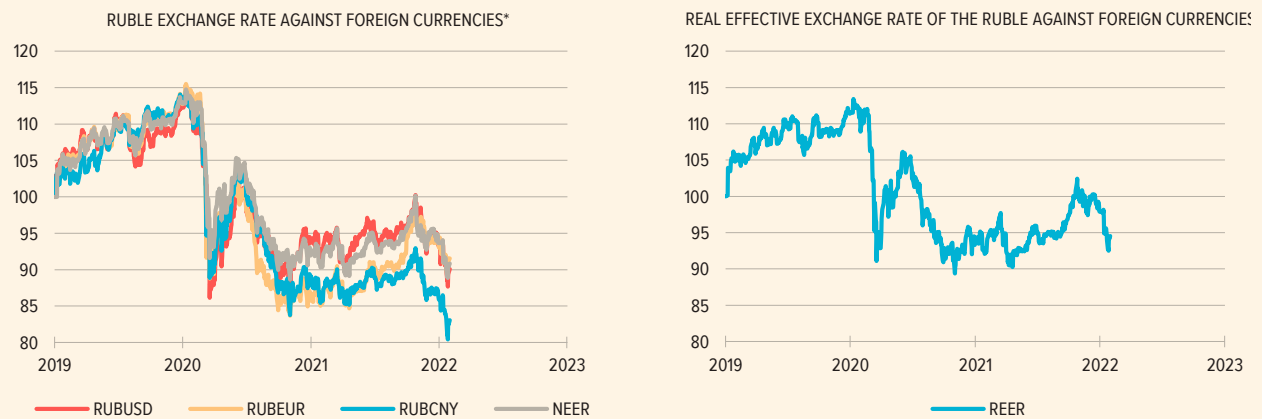
Chart B-1-3



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

THE EFFECTIVE RUBLE EXCHANGE RATE REMAINS AT THE LEVEL OF THE SECOND HALF OF AUGUST 2020 (02.01.2019 = 100)

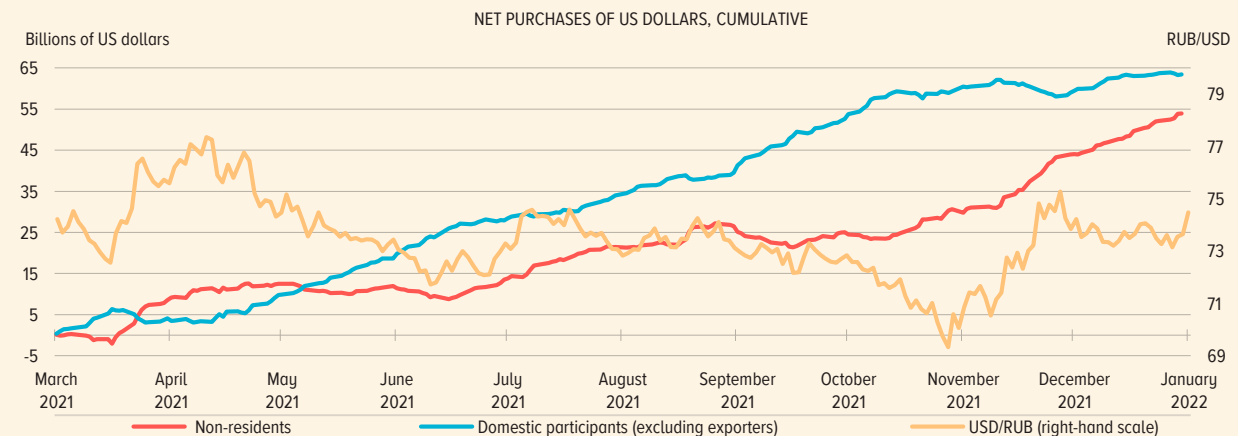
Chart B-1-4



* The nominal and real effective exchange rate of the ruble (NEER and REER, respectively) are calculated based on market exchange rates and recent monthly inflation data available.
Sources: Bloomberg, Bank of Russia calculations.

NON-RESIDENTS CONTINUED TO ACTIVELY BUY FOREIGN CURRENCY

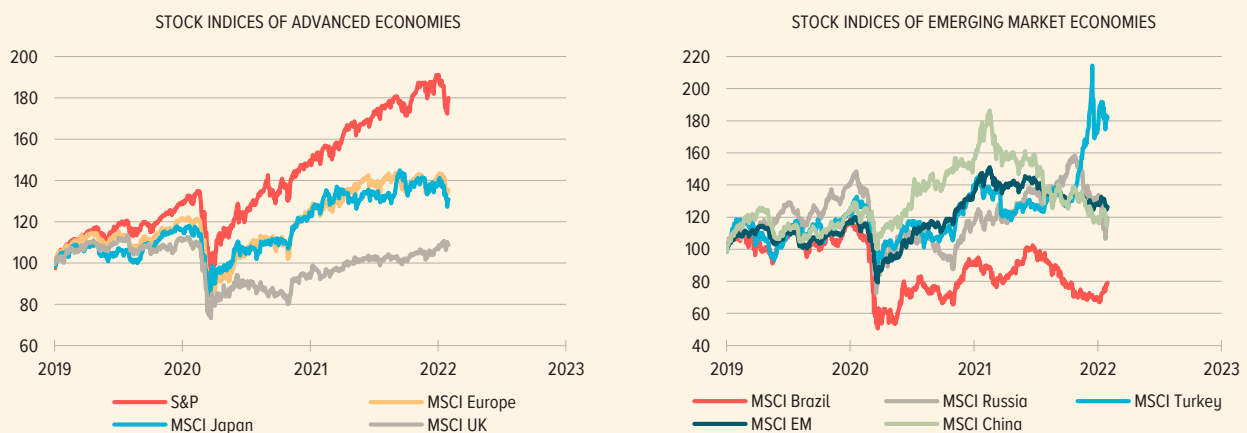
Chart B-1-5



Sources: Moscow Exchange, Bloomberg, Bank of Russia calculations.

STOCK INDICES IN MOST EMES, EXCLUDING BRAZIL, EDGED DOWN (02.01.2019 = 100)

Chart B-1-6



Sources: Bloomberg, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. Interest rates on ruble deposits kept on rising in December and January. The increase in the key rate effected by the Bank of Russia in December, as well as expectations of further tightening of monetary policy, led to some acceleration in the transmission of monetary policy to the deposit market compared to previous months. However, the increase in the key rate has not yet fully passed through to deposit rates, giving a limited support to the growth of savings attractiveness amid elevated inflation expectations. As the increase in household deposit rates was lagging behind the yields on bonds and long-term IBL rates, banks demonstrated robust interest in funding via retail deposits and competed for depositors.

The increase in the key rate and the Bank of Russia's tough rhetoric in December sped up growth of deposit rates. Growth in long-term deposit rates continued to exceed growth in short-term⁵ deposit rates, thereby reflecting banks' desire to raise long-term funding at interest rates that had not fully risen. In December, the rate on long-term deposits increased by 94 bp to 7.44% p.a. The average market rate on short-term deposits increased by 45 bp to 5.05% p.a. in December. In accordance with leading indicators, deposit rates continued to trend upwards in January even if more slowly: the deposit index FRG100⁶ added 20 bp over the month (Chart 12).

Activity in the deposit market picked up mainly before New Year holidays. In December, banks were most active in raising rates and launching new types of deposits. Movements in rates in the deposit market in 2022 Q1 will remain under the influence of the increase in the Bank of Russia key rate, given the catching-up growth of deposit rates. In the future, situation in the deposit market will be shaped by new decisions the Bank of Russia will make on the key rate and the intensity of banks' competition for depositors in certain market segments. Besides, changing rates in the related segments of the financial market may produce an additional impact on the dynamics of deposit rates. Thus, there is potential for growth in deposit rates, which may strengthen the trend towards better attractiveness of deposits.

In December and January, interest rates in foreign currency deposits were close to all-time lows, remaining around near-zero values. As a result, in December, the relative attractiveness of savings in the national currency remained.

Deposit operations. In December 2021, increase in the inflow of households' ruble funds⁷ to the banking sector was partly seasonal and was more significant than a year earlier. As a result, the annual increase in balances⁸ in households' ruble accounts and deposits by the end of December amounted to 6.8% vs 6.3% in the previous month. The outflow of funds from foreign currency deposits terminated (for details see the commentary Banking Sector Liquidity and Financial Markets, December 2021), however, near-zero rates of monthly inflow suppressed the annual increase (0.8% in December; 4.2% in November). The overall annual inflow of households' funds into banks somewhat slowed down again to 5.5% in December vs 5.8% in November (Chart 14).

The growth in deposit rates led to a further slight increase in the appeal of savings thanks to time deposits, which make it possible to fix the increased rates. At the same time, higher nominal incomes also facilitated the gradual acceleration of the inflow of households' funds to deposits. The inflow

⁵ Short-term deposits are deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

⁶ The average interest rate of the 54 largest banks on deposits for up to one year in the amount of 100,000 rubles and more (<https://frankrg.com/wp-content/uploads/2020/04/88a0b9cc77e3.pdf>), according to the Frank RG news agency.

⁷ Hereinafter, household deposits include balances in time deposits, demand deposits, and current accounts but exclude balances in escrow accounts under equity construction agreements.

⁸ Hereinafter, increases in banks' balance sheet indicators are calculated based on reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

of households' funds to current accounts, generally typical for the end of the year, was weaker in December 2021 than in previous years. At the same time, the inflow of funds to time deposit posted a considerable increase. Depositors preferred up-to-three year deposits. The segment of over-three year deposits recorded a contraction in deposited funds.

Over a near-term horizon, given the higher rates in the deposit market, one can generally expect further inflow of households' funds to banks. The volume and distribution of households' funds with banks will depend on the management of liabilities structure at banks, as well as on the attractiveness of savings instruments (including bonds) in the financial market, and whether activity in the mortgage market will be related to purchasing real estate for savings purposes.

Credit rates. In 2021 Q4, the growth of ruble lending rates associated with the consistent increase of the Bank of Russia key rate became the main driver of the overall tightening of bank lending conditions (BLC) for all categories of borrowers, according to the BLC survey (Chart 17). Moreover, the higher cost of borrowings in the corporate⁹ segment in the last months of 2021 was observed mainly among large corporate borrowers, while the increase in lending rates of small and medium-sized enterprises (SME) was held back by the subsidised 3% p.a. lending programme¹⁰ that was resumed on 1 November.

In December, lending rates in the retail segment of the market were close to the level of the previous month (Chart 13). The growth of average market rates for short-term transactions was constrained by attractive promotional campaigns in the consumer lending segment, typical for the end of the year. In December, a 10 bp decline in the average rate on long-term transactions was associated with a noticeable increase in the share of mortgage loans in the turnover of the retail lending market. The rate on ruble-denominated mortgage housing loans resumed growth, reaching 7.81% vs 7.59% in November. The cost of mortgage appreciated more markedly in the secondary housing market. Lending rates on mortgage loans in the primary market were virtually unchanged owing to the continuing effect of subsidised programmes, as well as joint lending programmes in partnership with developers at reduced rates. In January, banks continued to increase the cost of market mortgage lending, keeping the rates offered under subsidised programmes unchanged: according to operational monitoring data,¹¹ growth in the primary market for the month amounted to 29 bp, in the secondary market – 25 bp (Chart 12).

In the coming months, expectation of further tightening in monetary policy, higher bond yields and higher funding costs will continue to pass through to the upward trends of lending rates for corporate and retail clients.

Corporate lending. The ongoing recovery of economic activity, expectations of further increase in lending rates, continuing demand for residential real estate, and the ensuing active financing of developers contributed the expansion of corporate debt. In December, the annual growth of corporate lending¹² surged to its next local high of 12.7% vs 11.7% in November (Chart 15). In the last few months of 2021, the resumption in November of the subsidised 3% p.a. lending programme became an additional factor fuelling the lending activity. According to the findings of the BLC survey, in 2021 Q4, SMEs made a noticeable contribution to the increase in the demand of corporate borrowers for new loans. As of early December, the annual growth of the SME loan portfolio¹³ stood at 26.0%, having increased by 1.2 pp over the month. Lending to large corporates also continued to expand.

The segment of ruble loans remained the main contributor to the expansion of corporate lending: in December, the annual growth of the ruble loan portfolio sped up from 15.7% to 17.3%, significantly

⁹ Hereinafter, the corporate segment of the credit market implies lending to non-financial organisations.

¹⁰ Resolution of the Government of the Russian Federation No. 1850, dated 28 October 2021.

¹¹ [According to the weekly monitoring of market rates offered in the mortgage market](#) published by DOM.RF.

¹² Hereinafter, growth in lending to non-financial organisations does not include claims acquired by banks.

¹³ Including loans issued by VEB.RU.

outpacing the growth of foreign currency lending. The quality of the corporate loan portfolio remains stable: at the end of the month, the share of overdue loans amounted to 5.9% vs 6.1% in November.

In the short run, the tightening of lending conditions caused by higher lending rates may drag heavily on the expansion of corporate lending. Corporate demand for loans will be also shaped by changes in economic activity.

Retail lending. In December, the demand of retail clients for borrowed funds was high, primarily in the mortgage segment. Demand was consistently supported by favourable price conditions under subsidised mortgage programmes and banks' own programmes offered jointly with developers, expectations of further increases in lending rates, and a slow tightening of lending conditions in real terms due to elevated inflationary expectations. In addition, the average size of loans continued to grow, which also contributed to the further expansion of the portfolio. In December, the annual growth of retail lending¹⁴ stood at 22.7% vs 21.8% a month earlier, and the share of overdue liabilities in the portfolio declined over the month from 4.2% to 4.0%, hitting a minimum since 2009 (Chart 15).

Mortgages continued to make the largest contribution to the growth of retail lending (Chart 16). Despite the large-scale mortgage asset securitisation transactions conducted in 2021 Q4 to limit the growth of mortgage portfolio, this segment accounted for slightly more than half of the increase in the entire retail lending by the end of the year. In December, the volume to new mortgage loans hit a fresh all-time high mainly due to loans issued on market terms: a total of 192,000 new loans worth 645 billion rubles. With that, new loans issued under the family mortgage and 7% p.a. subsidised mortgage programmes also continued to grow. In general, in 2021, the volume of issued mortgage loans reached 5.7 trillion rubles, with the growth rate of mortgage portfolio¹⁵ reaching 26.7%. Low lending rates in real terms, coupled with the ongoing rise in the average loan maturities, allowed households to obtain larger loans, the demand for which was up due to higher real estate prices. As a result, by the end of 2021, the average amount of a ruble-denominated mortgage loan reached 3.3 million rubles, a fresh all-time high.

In the segment of unsecured consumer lending, the slowdown in portfolio growth was more noticeable (0.5% in December vs 1.6% in November and 0.2% in December of the previous year) due to the tightening of macroprudential regulation in July and October 2021, a pickup in lending rates, and also the seasonal factor.

In the near term, certain slowdown in the growth of the households' loan portfolio can be expected. This will be facilitated by a further increase in lending rates, as well as a decline in households' demand for new loans over the next six months, as expected by banks participating the BLC survey (Chart 17). At the same time, despite the gradual exhaustion of good borrowers, the effective subsidised mortgage programmes will continue to support lending activity in the mortgage segment. In the second half of the year, retail lending will be additionally restrained by implemented macroprudential limits.

Money supply. Claims of the banking system on the economy remained the major source of money growth in December. The total annual growth of claims on the economy stood at 14.0% at the end of December (vs 14.3% at the end of November). The growth of claims on households sped up against the background of a slight slowdown in the growth of claims on businesses.

In December, net foreign assets and claims on general government were minor contributors to the formation of money supply. The growth of balances in escrow accounts not included in money supply continued to slightly limit the expansion of money supply, but the release of funds in escrow accounts, following to the completion of residential construction projects, gradually offset the effect of limiting the growth of money supply.

As a result of a combined effect of these factors, the growth of money supply remained stable. The annual growth of broad money (the M2X aggregate) edged up at the end of December to 11.3%

¹⁴ Growth in retail lending does not include claims acquired by banks.

¹⁵ Housing mortgage loans, net of claims on such loans acquired by banks.

(vs 11.0% at the end of November) (Chart 18). The ruble component of money supply increased fast: the growth of money supply in the national definition was 13.0% in December (vs 11.0% in November). In December, the amount of cash in circulation (the MO aggregate) exceeded the level of December 2020 by 5.4% (vs 6.8% in November), reflecting the ongoing trend towards a gradual increase in the share of non-cash funds in circulation.

CHARTS AND TABLES

THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED IN JANUARY 2022
(AS OF START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.01.2022	01.02.2022
Structural liquidity deficit (+) / surplus (-)	-2,639	-3,016	-2,761	-204	-1,691	-109
Bank of Russia claims on credit institutions	10	21	18	976	909	1,122
Auction-based facilities	-	-	-	847	116	134
– repos and FX swaps	-	-	-	847	116	134
Fixed interest rate facilities	10	21	18	129	793	988
– repos and FX swaps	4	8	13	118	3	57
– secured loans	5	13	5	10	790	931
Credit institutions claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,804	1,430
Deposits	2,372	1,902	1,026	1,221	2,804	1,430
– auction-based	2,125	1,478	697	844	1,626	1,020
– fixed interest rate	247	424	330	377	1,178	410
BoR coupon bonds	357	1,391	1,956	575	0	0
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	204	200

* These transactions include Bank of Russia specialised refinancing facilities, loans issued by the Bank of Russia as part of irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps conducted by the Bank of Russia.

Source: Bank of Russia calculations.

FORECAST FOR 2022 YEAR-END WILL BE REFINED AND PRESENTED IN THE MONETARY POLICY GUIDELINES
(TRILLIONS OF RUBLES)

Table 3

	2020 actual	2021 actual	January 2022	2022 (forecast)
1. Liquidity factors	-2.6	1.6	-0.5	[0.4; 0.8]
– change in the balances of funds in the general government accounts with the Bank of Russia, and other operations*	0	2.3	-0.7	[0.0; 0.2]
– change in the amount of cash in circulation	-2.6	-0.7	0.3	[0.1; 0.3]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.1	-	-	-
– regulation of banks' required reserves with the Bank of Russia	-0.1	-0.1	0.0	0.4
2. Change in free bank reserves (correspondent accounts)*** (demand)	-0.1	0.1	1.1	[1.2; 1.4]
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	1.2	1.0	-1.4	[-1.8; -1.2]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4=2+3-1)	1.4	-0.5	0.2	-0.8
Structural liquidity deficit (+) / surplus (-) (as of end-period)	-0.2	-1.7	-0.1	[-1.4; -0.8]

* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market, and other operations.

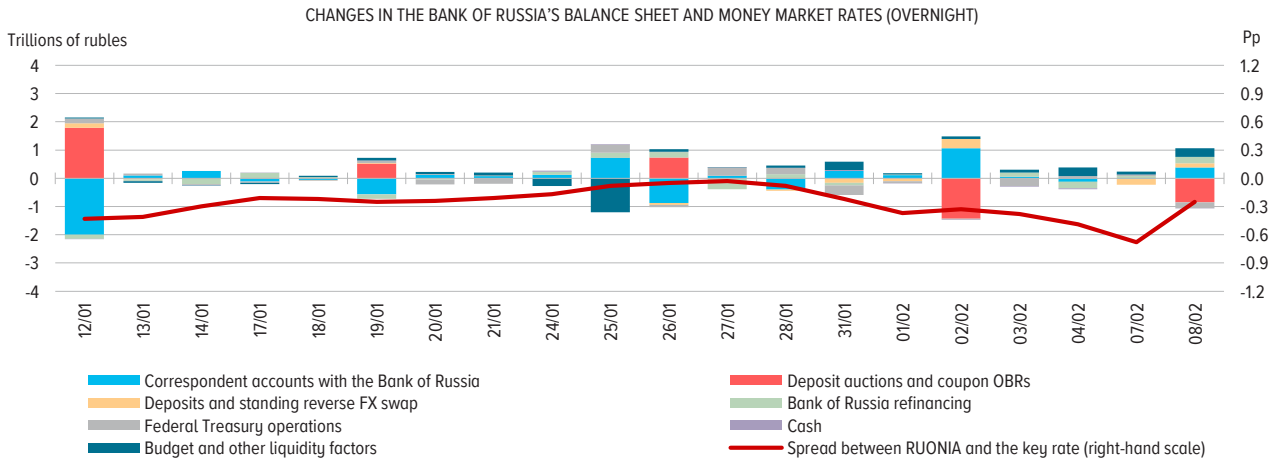
** Forecast values of the indicator are in line with the actual amount of operations conducted.

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

Source: Bank of Russia calculations.

BUDGET REVENUES EXCEEDED EXPENSES IN JANUARY 2022

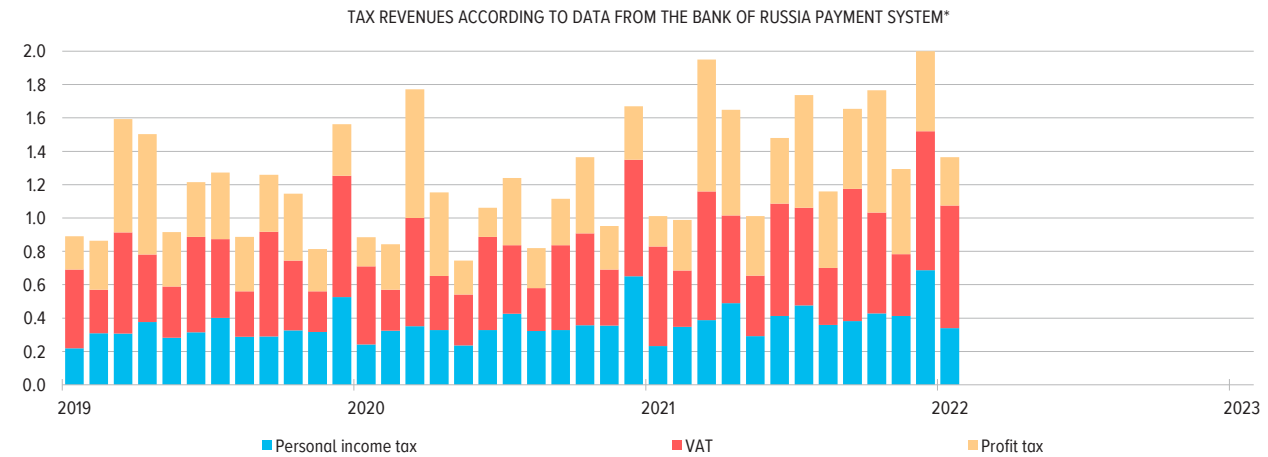
Chart 1



Source: Bank of Russia calculations.

VAT AND PERSONAL INCOME TAX GROWTH SPED UP IN JANUARY 2022 VS 2021. PROFIT TAX GROWTH SLOWED DOWN

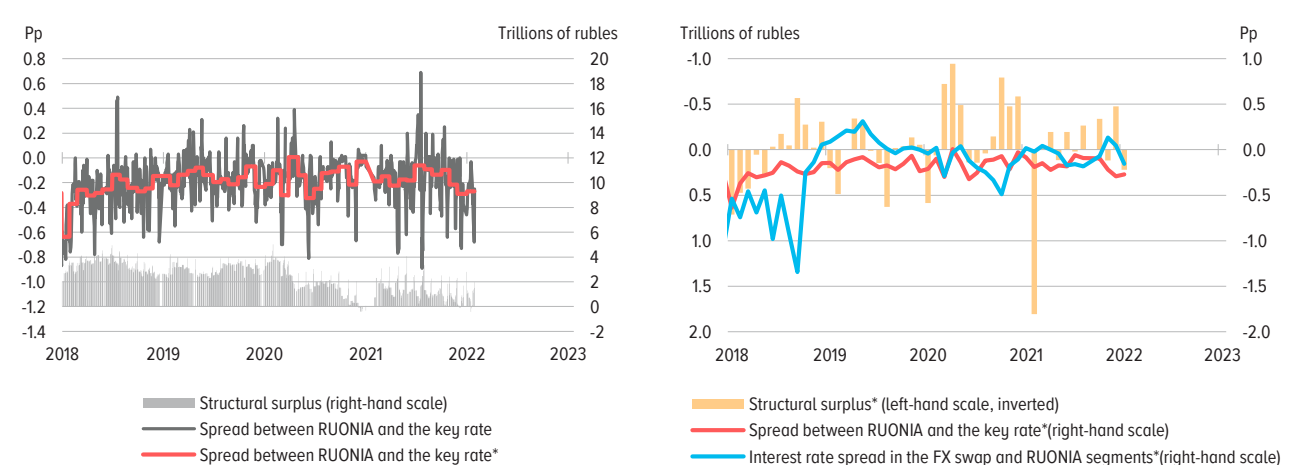
Chart 2



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

THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE SLIGHTLY NARROWED

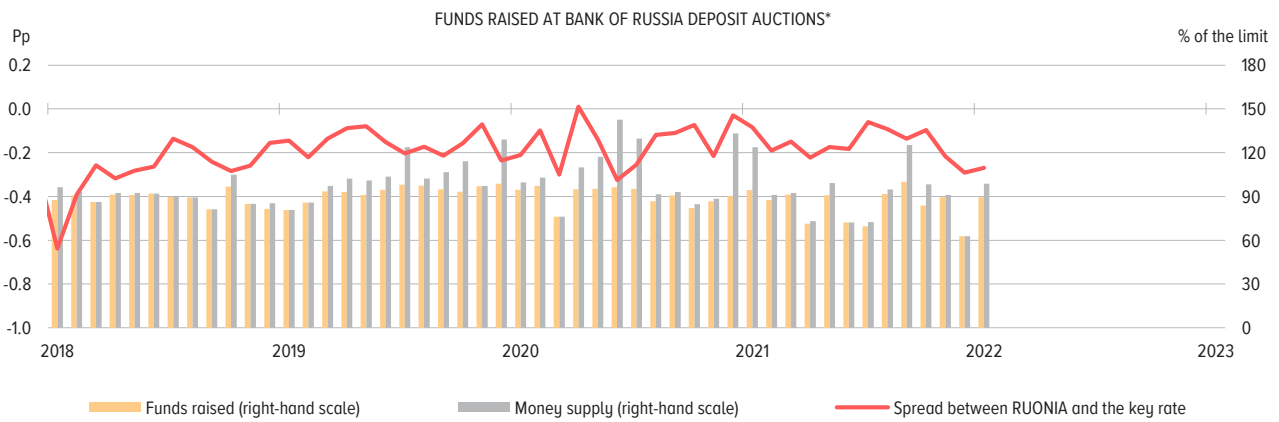
Chart 3



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

BANKS' SUPPLY AT THE BANK OF RUSSIA'S ONE-WEEK DEPOSIT AUCTIONS WAS CLOSE TO THE ESTABLISHED LIMITS

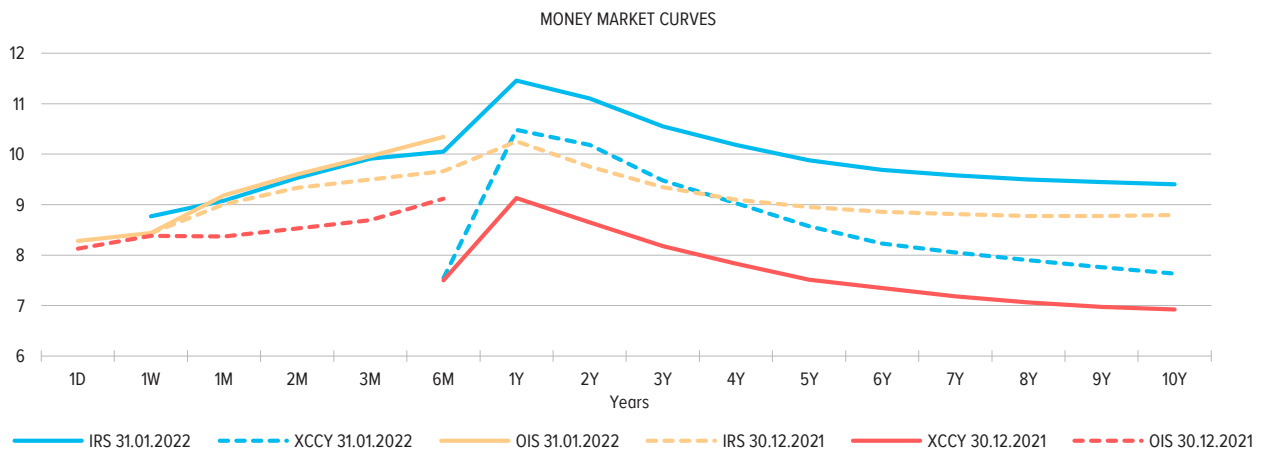
Chart 4



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

YIELD CURVES CONTINUED TO RISE IN JANUARY
(% P.A.)

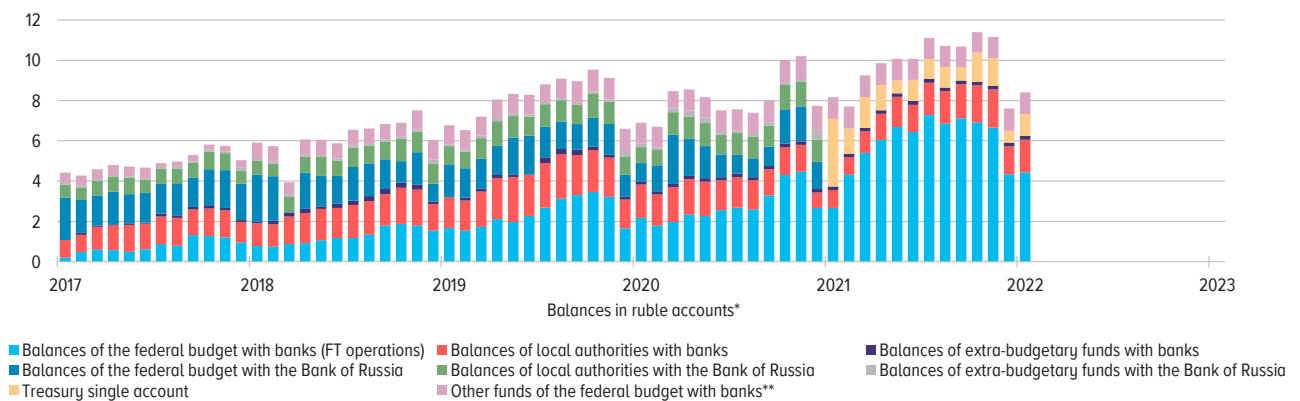
Chart 5



Note: to build the IRS curve for maturities of up to 1Y, MosPrime rates for respective maturities are used.
Source: Bloomberg.

BUDGET BALANCES IN THE TSA INCREASED IN JANUARY 2022
(TRILLIONS OF RUBLES, AS OF THE MONTH-END)

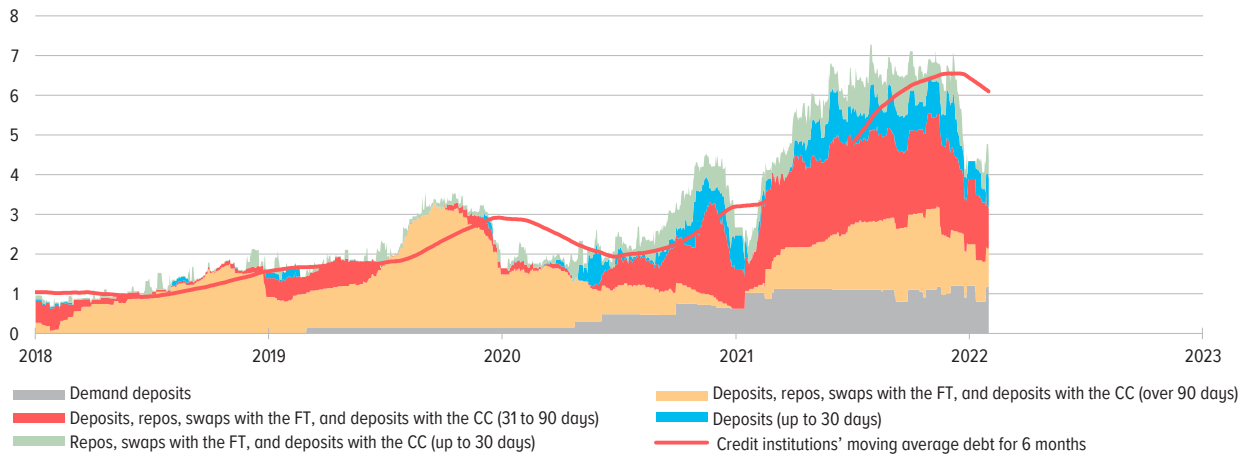
Chart 6



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

CREDIT INSTITUTIONS' DEBT TO THE FT ROSE BY 0.1 TRILLION RUBLES IN JANUARY 2022
(TRILLIONS OF RUBLES)

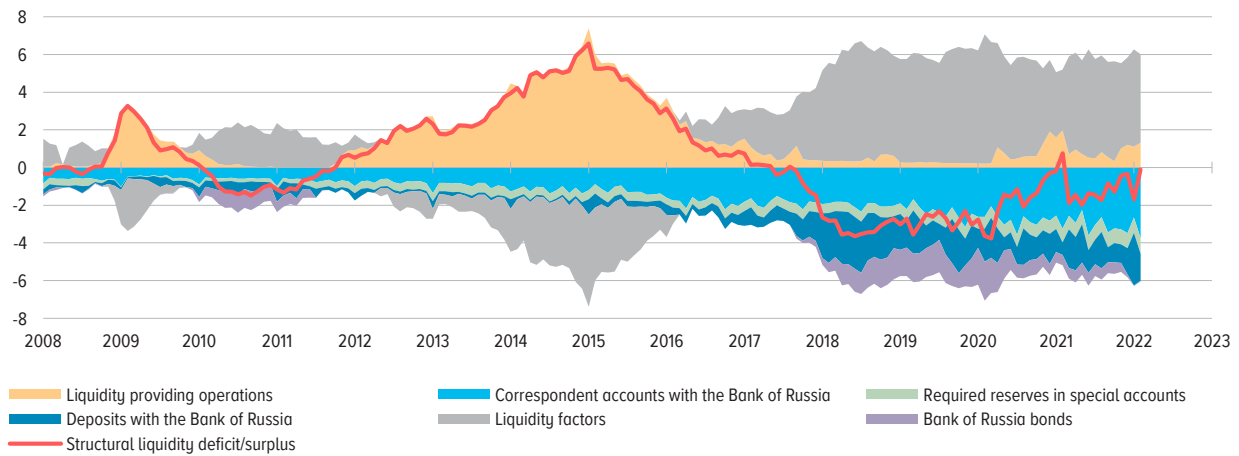
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

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

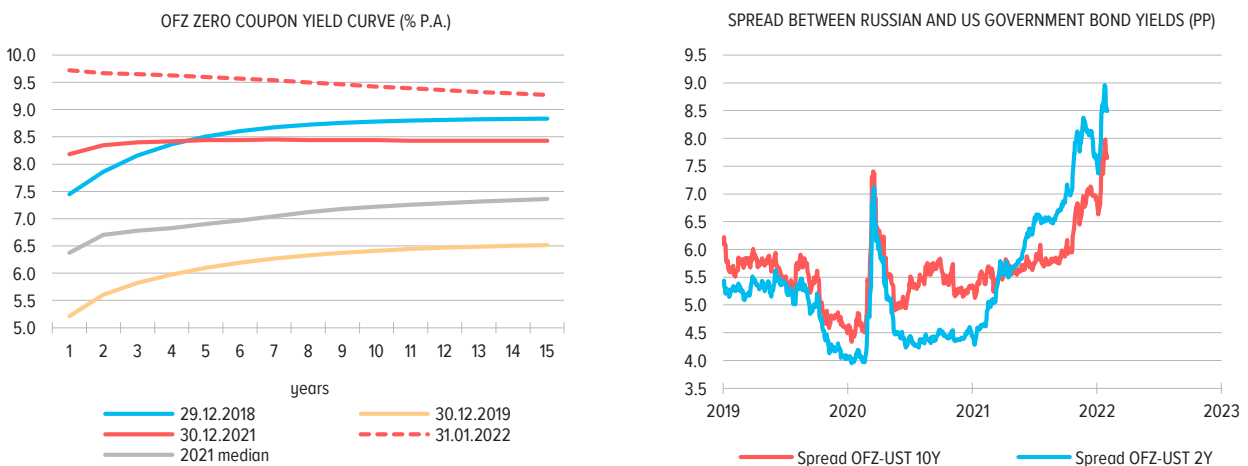
Chart 8



Source: Bank of Russia calculations.

OFZ CURVE REMAINS INVERTED

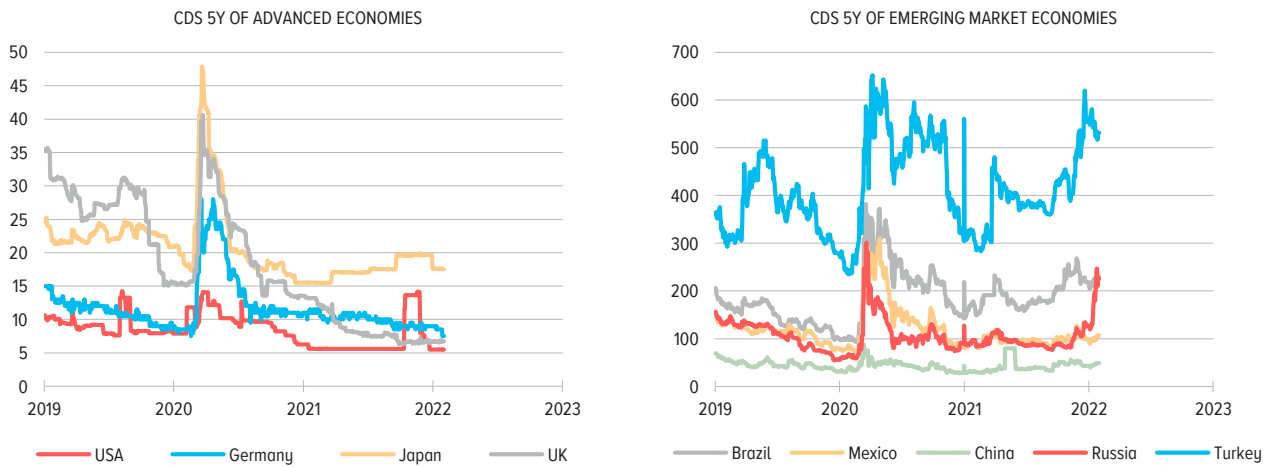
Chart 9



Sources: Moscow Exchange, Bloomberg, Bank of Russia calculations.

RUSSIA'S 5Y CDS SPREAD EXPANDED TO THE LEVEL OF MARCH 2020
(BP)

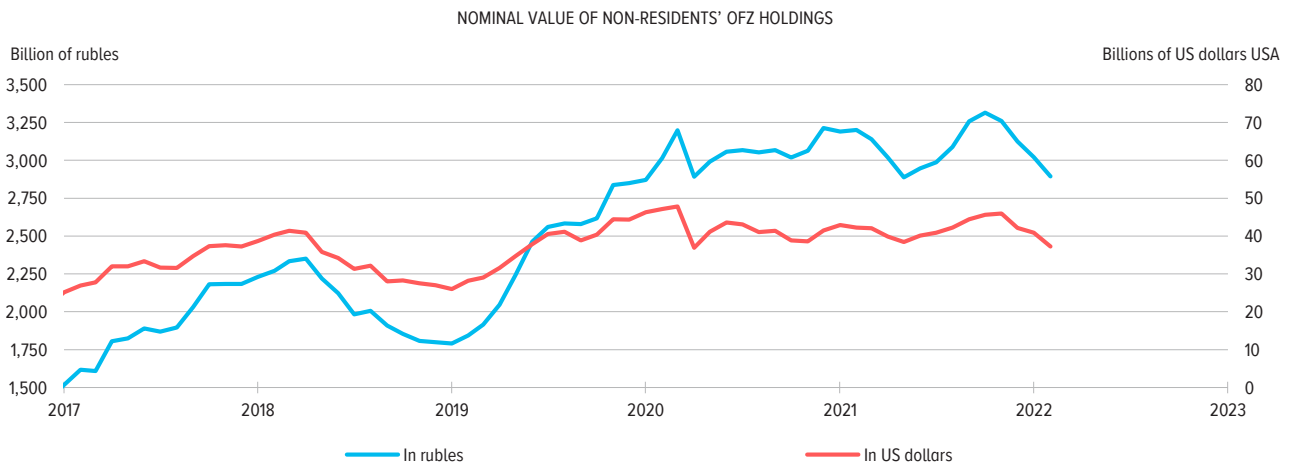
Chart 10



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

FOREIGN INVESTORS REDUCED THEIR OFZ INVESTMENTS BY THE END OF THE MONTH

Chart 11



Source: Bank of Russia calculations.

THE RUSSIAN FINANCIAL MARKET DEMONSTRATED NEGATIVE DYNAMICS AMID HIGHER LOCAL RISKS

Table 4

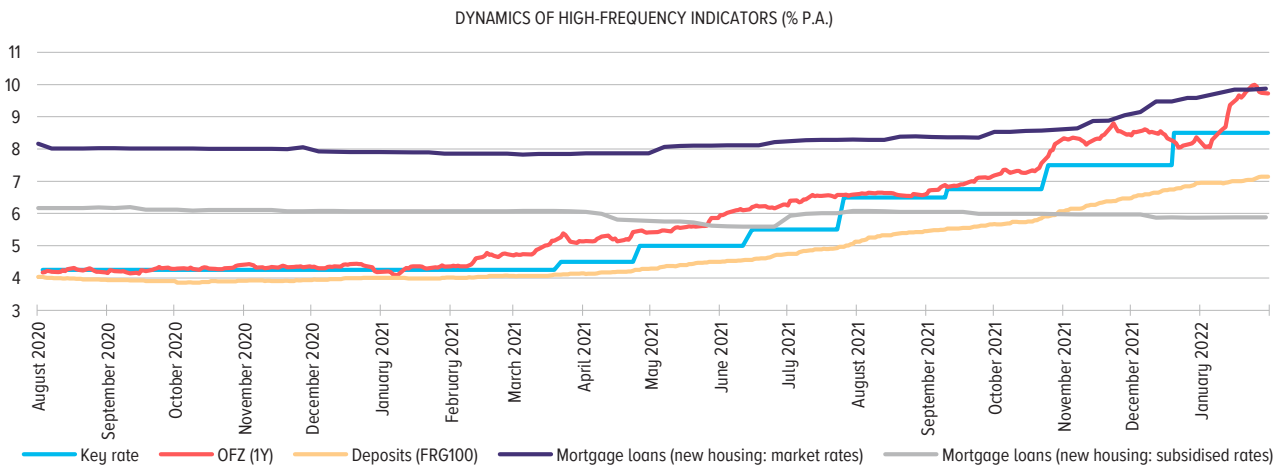
Indicator		31.01.2022	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		77.39	-3.6	-8.1	-6.0	-3.6	-1.9
MOEX Index		3530	-6.8	-16.4	-6.8	-6.8	5.6
RTS Index		1,435	-10.1	-23.1	-12.3	-10.1	3.7
Government bond yield		9.51	66	119	264	66	334
Corporate bond yield		10.19	156	129	276	156	398
Regional bond yield		9.69	128	103	231	128	372
CDS spread		223	96	138	138	96	126
RVI		49	16	22	27	16	16
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	96.54	0.9	2.8	4.9	0.9	6.7
	Euro	1.12	-1.2	-3.2	-5.3	-1.2	-7.3
	Japanese yen	115.11	0.0	-1.0	-5.1	0.0	-9.4
	Pound sterling	1.34	-0.6	-1.6	-3.1	-0.6	-2.0
EMEs	JP Morgan EM Currency Index	53.35	1.5	-2.3	-6.1	1.5	-6.4
	Ruble	77.39	-3.6	-8.1	-6.0	-3.6	-1.9
	Brazilian real	5.31	5.0	7.2	-2.5	5.0	2.6
	Mexican peso	20.64	-0.6	1.0	-3.5	-0.6	-1.9
	Chinese yuan	6.36	-0.1	0.6	1.6	-0.1	1.4
	Turkish lira	13.30	0.0	-28.4	-37.3	0.0	-44.9
	South African rand	15.39	3.7	0.1	-5.9	3.7	-1.1
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	1.78	27	22	60	27	73
	Germany	0.01	19	11	50	19	55
	Japan	0.17	11	8	16	11	14
	UK	1.30	33	24	78	33	101
EMEs	Russia	9.47	103	112	261	103	319
	Brazil	11.31	47	-104	167	47	365
	Mexico	7.66	10	6	77	10	210
	China	2.71	-7	-23	-12	-7	-49
	Turkey	22.25	-97	290	575	-97	950
	South Africa	9.81	2	-36	69	2	107
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	6	0	-8	0	0	0
	Germany	8	-2	-2	-3	-2	-4
	Japan	18	0	-2	0	0	2
	UK	7	0	0	-1	0	-7
EMEs	Russia	223	96	138	138	96	126
	Brazil	230	25	-26	55	25	59
	Mexico	108	18	1	12	18	14
	China	49	6	3	10	6	17
	Turkey	529	-31	90	155	-31	215
	South Africa	208	8	-1	11	8	-17
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,516	-5.3	-2.1	2.9	-5.3	19.2
	MSCI Europe	1,997	-4.6	-4.6	-3.9	-4.6	8.3
	MSCI Japan	1,170	-5.0	-6.9	-1.5	-5.0	3.7
	MSCI UK	2,119	1.8	3.4	6.3	1.8	15.7
EMEs	MSCI EM	1,208	-1.9	-4.5	-6.6	-1.9	-10.5
	MSCI Russia	689	-9.1	-22.7	-11.2	-9.1	4.4
	MSCI Brazil	1,620	12.9	12.0	-15.4	12.9	-9.7
	MSCI Mexico	5,175	-5.3	0.7	-1.6	-5.3	15.3
	MSCI China	82	-2.9	-11.1	-14.6	-2.9	-30.5
	MSCI Turkey	2,217,194	6.7	29.0	41.5	6.7	34.7
	MSCI South Africa	1,540	3.5	8.1	6.4	3.5	6.8

* Advanced economies.

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

INTEREST RATES ON MARKET LOANS AND DEPOSITS CONTINUED TO RISE IN JANUARY DUE TO MONETARY POLICY TIGHTENING

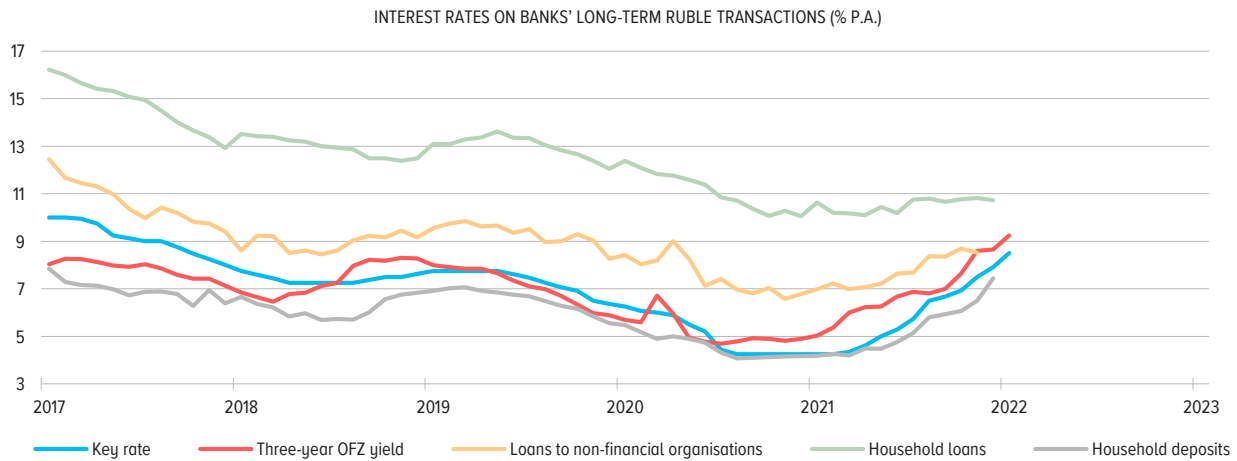
Chart 12



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

GROWTH OF CORPORATE LOAN RATES WAS CURBED BY RISING SUBSIDISED LENDING IN LATE 2021

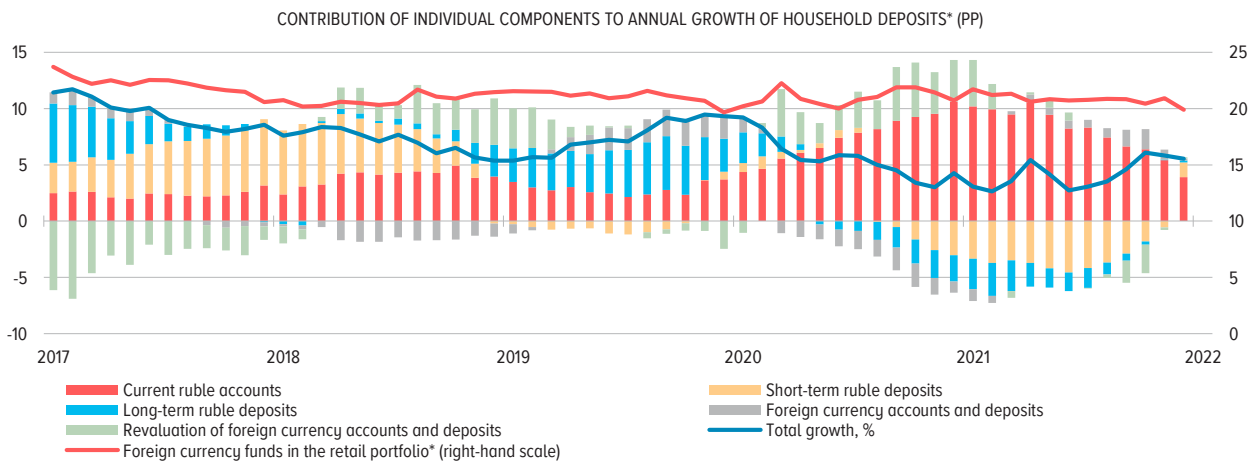
Chart 13



Source: Bank of Russia.

DECEMBER SAW AN INFLOW OF FUNDS TO TIME DEPOSITS AND A SEASONAL INCREASE IN CURRENT ACCOUNT BALANCES

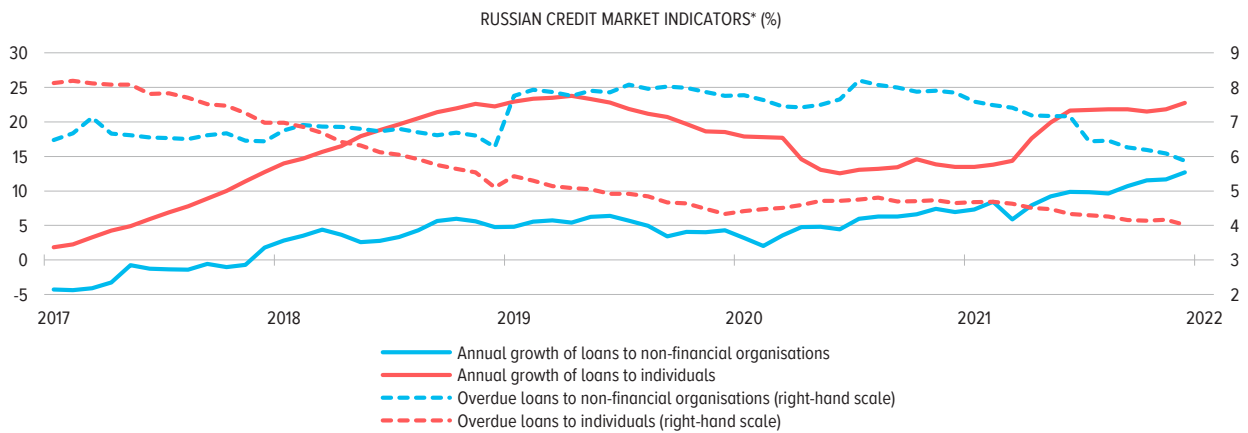
Chart 14



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

CORPORATE LENDING CONTINUED TO GROW IN DECEMBER

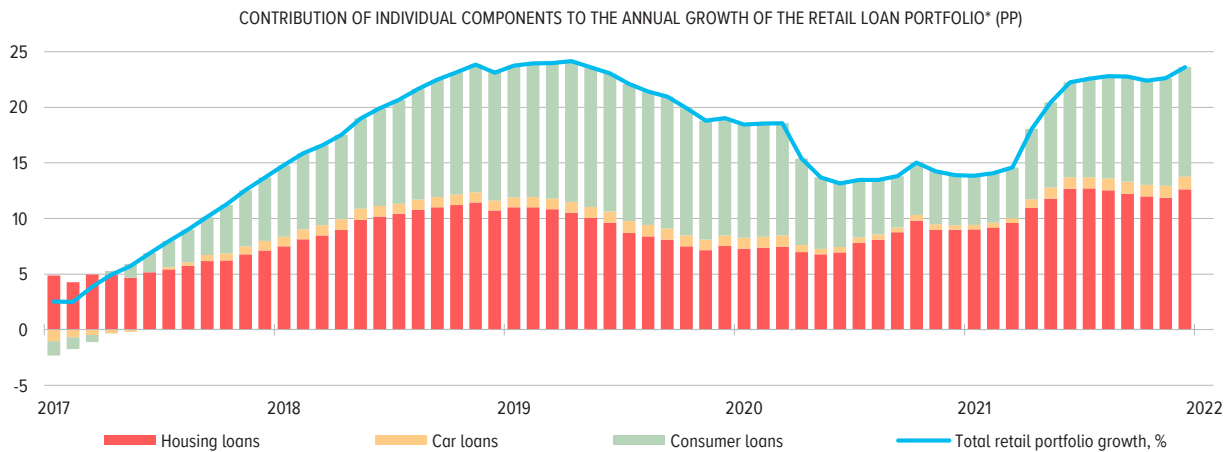
Chart 15



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

ACTIVITY IN THE MORTGAGE SEGMENT HIT THE RECORD IN DECEMBER

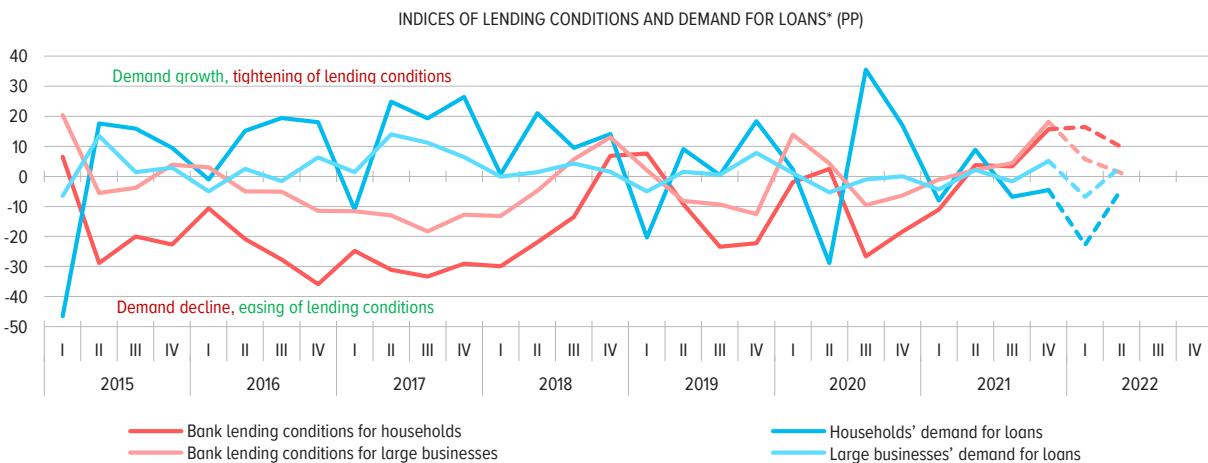
Chart 16



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

LENDING CONDITIONS TOUGHENED FOR BOTH CORPORATE AND RETAIL BORROWERS IN 2021 Q4 DUE TO RISING CREDIT RATES

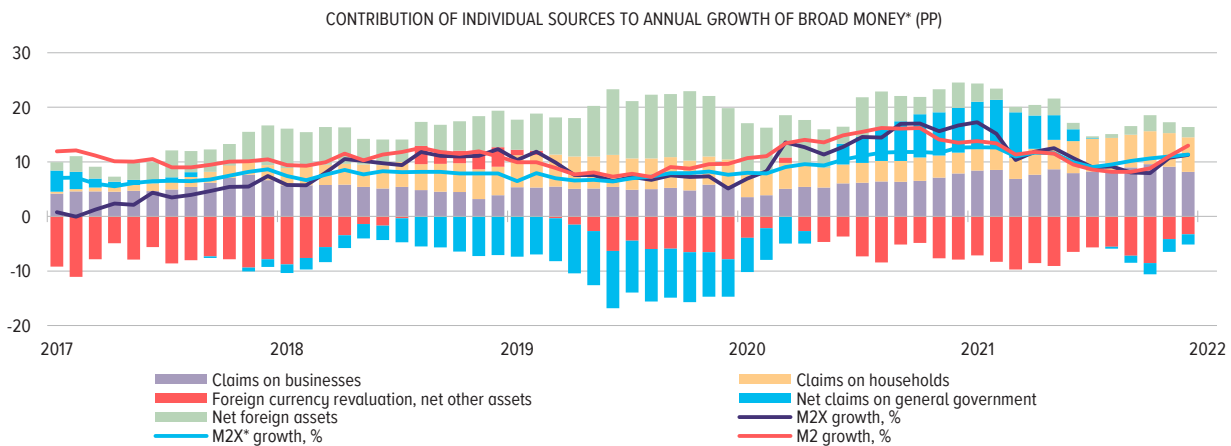
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2021 Q4. Source: Bank of Russia.

MONEY SUPPLY ROSE IN DECEMBER MAINLY OWING TO INCREASING CLAIMS ON THE ECONOMY

Chart 18



* Adjusted for foreign currency revaluation.

Note. Change in assets was calculated for the entire banking system.

Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		September 2021	October 2021	November 2021	December 2021
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	5.9	6.1	6.5	7.4
loans to households	% p.a.	10.7	10.8	10.8	10.7
corporate loans	% p.a.	8.4	8.7	8.5	-
Households' funds*	% YoY, AFCR	4.6	6.1	5.8	5.5
in rubles*	% YoY	4.0	5.5	6.3	6.8
in foreign currency	% YoY	7.0	8.8	4.2	0.8
share of foreign currency*	%	20.8	20.4	20.9	19.9
Loans to non-financial organisations**	% YoY, AFCR	10.7	11.5	11.7	12.7
short-term (up to 1 year)	% YoY, AFCR	11.5	14.2	12.6	13.8
long-term (more than 1 year)	% YoY, AFCR	13.2	13.5	14.2	15.4
overdue loans	%	6.3	6.2	6.1	5.9
Household loans**	% YoY, AFCR	21.8	21.5	21.8	22.7
housing mortgage loans	% YoY, AFCR	26.7	25.3	25.1	26.7
unsecured consumer loans	% YoY	19.2	19.0	19.7	20.1
overdue loans	%	4.2	4.1	4.2	4.0
Banking system's claims on the economy	% YoY, AFCR	14.3	14.7	14.3	14.0
on businesses	% YoY, AFCR	11.9	12.5	11.9	10.9
on households	% YoY, AFCR	20.7	20.5	20.7	22.0
Money supply (monetary aggregate M2)	% YoY	8.2	8.8	11.0	13.0
Broad money	% YoY, AFCR	10.2	10.7	11.0	11.3

* Excluding escrow accounts.

** Since 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The portfolio growth was calculated net of acquired claims.

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

Source: Bank of Russia calculations.

Cut-off date:

- 'Money market and overnight rates (RUONIA)' section – 08.02.2022 (The reserve requirements are an important part of Bank of Russia instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of required reserves averaging periods. In January–February 2022, this period is from 12.01.2022 to 08.02.2022);
- 'Money market yield curves and key rate expectations' and 'Public debt market' sections – 31.01.2022;
- 'Credit and deposit market' section – 01.01.2022.

The electronic version of the [information and analytical commentary](#) is available on the Bank of Russia website.

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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