



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

17 June 2022

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

- The average spread between RUONIA and the Bank of Russia key rate equalled -35 bp (vs -45 bp in the April averaging period; since the beginning of 2022: -25 bp).
- Budget operations in May caused an inflow of liquidity into banks that continued to receive cash money back. The structural liquidity surplus expanded, averaging 2.0 trillion rubles in the averaging period.
- The spread between interest rates in the FX swap and RUONIA (basis) segments was positive in May amid increased sanction risks. In the first half of June, the spread volatility was elevated.
- In May, money and debt market rates declined as monetary policy was eased further. The ruble continued to strengthen against the US dollar due to a considerable current account surplus.
- Following the decrease in the key rate in April–May, deposit rates, especially short-term ones, started to go down. Nonetheless, households' propensity to save edged up amid macroeconomic uncertainty, which supported the retail deposit market at the beginning of Q2. Furthermore, the growth of banks' retail portfolio was mostly driven by the inflow of funds into short-term ruble deposits.
- In April, corporate and retail lending continued to decline, including because of higher credit rates. Nevertheless, subsidised lending programmes launched by the government to support companies in certain industries and subsidised mortgage lending programmes are to promote an expansion of loan portfolios.
- The slowdown in lending was the main drag on the growth of money supply in April. In the short term, changes in money supply will largely depend on trends in lending to the economy and budget operations amid the planned increase in government expenditures.

MONEY MARKET AND OVERNIGHT (RUONIA) RATES

Over the May averaging period (AP) of required reserves (RR), the spread between RUONIA¹ (the Bank of Russia's operational benchmark) and the Bank of Russia key rate² equalled **-35 bp** (vs -45 bp in the April AP; since the beginning of the year: -25 bp) (Chart 3). The spread volatility was 22 bp (vs 36 bp in the April averaging period; since the beginning of 2022: 42 bp).

The structural liquidity surplus averaged **2.0 trillion rubles** over the May AP (vs 1.2 trillion rubles in the April AP). As of the beginning of June, the structural liquidity surplus totalled 2.0 trillion rubles (Table 2).

In the May AP, the spread between RUONIA and the key rate (hereinafter, the spread) narrowed as compared to the April AP. In the first half of the AP, the growth of interest rates was driven by a larger proportion of borrowings of one large bank that was raising funds in the unsecured overnight segment of the interbank lending (IBL) market at an interest rate exceeding the market average. However, interest rates were temporarily under downward pressure, which was associated with market participants' expectations about changes in the key rate at the unscheduled and scheduled meetings of the Bank of Russia Board of Directors on 26 May and 10 June. Banks expected the key rate to be cut, due to which they delayed their RR averaging until the end of the AP. Specifically, on 25–26 May, banks decreased the demand for Federal Treasury (FT) operations that usually offset the outflow of liquidity, including during the period of tax payments, and resumed their participation in FT auctions only after the key rate was cut. Before the meeting on 10 June, banks also decreased balances in their correspondent accounts at first, and then, on the last day of the AP, raised additional funds at a lower interest rate through Bank of Russia loans and repos in order to increase their correspondent accounts to the level needed to comply with the reserve requirements. In such a situation, RUONIA exceeded the key rate. After the end of the May AP, the demand for Bank of Russia refinancing edged down, with debt on these operations returning to the previous level. Over the May AP, some market participants maintained the demand for more reliable and shorter-term excess liquidity absorbing instruments, namely secured overnight repo transactions in the money market and Bank of Russia standing deposit facilities.

Cash continued to return to banks in May. As a result, the inflow of liquidity from mid-March through May fully offset the outflow in late February–early March. At the beginning of June, the dynamics of cash in circulation remained close to the levels of previous years, due to which the banking sector had a seasonal outflow of liquidity.

Budget operations in May caused an inflow of liquidity, primarily owing to larger amounts of FT funds and budgetary funds of the constituent territories of the Russian Federation placed in bank deposits. Payments of main non-oil and gas taxes increased, as compared to 2021 (Chart 2). Budgetary expenditures were also up, compared to May 2021, including because the Russian Ministry of Finance bought JSC Russian Railways shares using the resources of the National Wealth Fund.³ As a result, budgetary expenditures in May were close to the amount of revenues and thus did not have any significant influence on the banking sector liquidity.

As the structural liquidity surplus remained, the Bank of Russia resumed one-week deposit auctions beginning from the May AP. This helped absorb banks' excess liquidity and keep RUONIA close to the key rate.

The forecast of the structural liquidity surplus for the end of 2022 equals 3.5–4.0 trillion rubles.⁴

¹ RUONIA (Ruble OverNight Index Average) is the weighted average interest rate on overnight interbank ruble loans (deposits) reflecting the 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 interest rates in the unsecured overnight segment of the interbank lending market close to the Bank of Russia key rate.

³ [Resolution of the Government of the Russian Federation No. 602, dated 6 April 2022.](#)

⁴ Refer to Monetary Policy Report No. 2 (38), May 2022.

MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

Money market yield curves. In May, the yield curves of interest rate swaps shifted downwards due to the further easing of monetary policy (Chart 5). Over the month, the ROISfix⁵ curve remained inverted, with interest rates for one to two weeks being the same for the most part. Until 25 May, interest rates for one week to one year formed in the range of 12.1–14.3%. After the announcement of the unscheduled meeting of the Bank of Russia Board of Directors, interest rates on short-term contracts declined to 10.6%, and those on one-year contracts – to 9.9%.

IRS yields (based on MosPrime 3M) also dropped considerably in May. Yields in the short section of the curve (up to five years) declined by 4.0–4.5 pp to 8.4–10.1%, and long-term yields dropped by 4.1–4.8 pp to 8.0–8.6%. The movements of money market curves in May were associated with the revision of market participants' expectations about further changes in the key rate amid the improvement of the overall macroeconomic environment (Table 1).

The MosPrime 3M – OIS 3M spread averaged 120 bp over May (vs 168 bp on average in April; 54 bp on average over 2021). As the macroeconomic situation stabilised and uncertainty about key rate changes decreased, the spread became less volatile.

According to the Bank of Russia's survey of professional market participants, analysts expect the key rate to go down gradually in 2022–2023 (Table 1). In May, the median estimate of the average key rate for 2022 equalled 11.1% (vs 14.5% in April).

ANALYSTS LOWERED THEIR EXPECTATIONS ABOUT THE KEY RATE IN MAY

Table 1

Key rate expectations based on market indicators (instrument)	June 2022	December 2022
ROISfix	13.0 (20.0)	11.0 (20.0)
Analysts' key rate expectations*	2022 average	2023 average
Survey by the Bank of Russia	11.1 (14.5)	8.0 (10.4)

* Survey dates: 25–31 May 2022. The results of the survey on 13–19 April 2022 are given in brackets.
Sources: Bank of Russia calculations, NFA.

PUBLIC DEBT MARKET

OFZ yield curve. In May, the zero coupon yield curve of federal government bonds (OFZ) shifted downwards across all maturities, except OFZ 2Y and 3Y (Chart 9): OFZ 1Y – 10.09% (-10 bp); OFZ 2Y – 9.85% (+17 bp); OFZ 5Y – 9.68% (-40 bp), and OFZ 10Y – 9.48% (-84 bp). It should be noted that OFZ yields did not show any significant response to the Bank of Russia's decision to cut the key rate by 300 bp to 14% at the meeting on 29 April. The yield curve remains inverted. As the Bank of Russia signalled an easing of monetary policy, market participants demonstrated the demand for medium-term fixed-coupon federal government bonds (OFZ-PD) (over 3Y) and short-term variable coupon-income federal government bonds (OFZ-PK). In May, the average daily amount of OFZ trading contracted to 11.95 billion rubles (from 12.7 billion rubles in April) after two consecutive reductions in the key rate to 11% over the month.

In the first half of May (until 20 May), the spread between OFZ 10Y and 2Y yields remained positive, turning negative by the end of the month, namely -37 bp (vs 64 bp in April). The yield curve reflects market participants' expectations about a faster easing of monetary policy amid lower proinflationary risks (including slower inflation, a stronger ruble, and a decline in inflation expectations).

⁵ The OIS (ROISfix) curve – indicative rates (fixing) on RUONIA interest rate swaps.

From October 2021 through April 2022, **non-residents were reducing their investment in OFZ bonds**. In April, non-residents' investment in Russia's public debt remained almost the same amid the ban on its sale. As of 1 May 2022, non-residents' investment in Russian government bonds totalled 2,763 billion rubles (vs 2,770 billion rubles as of 1 April).

Beginning from the second half of the month, **yields** on two- and ten-year **U.S. Treasury bonds** started to go down : 2Y – 2.53% (-17 bp); 10Y – 2.85% (-4 bp). The adjustment of yields was associated with market participants' expectations of a faster increase in the funds rate by the US Fed (+50 bp at the two next meetings of the FOMC in June and July). The US debt market was under downward pressure due to the coming reduction in the balance sheet: from 1 June, sale of U.S. Treasuries for 30 billion US dollars per month (from September, 60 billion US dollars per month) and sale of mortgages – for 17.5 US dollars per month, as well as concerns about potential stagflation in the US economy.

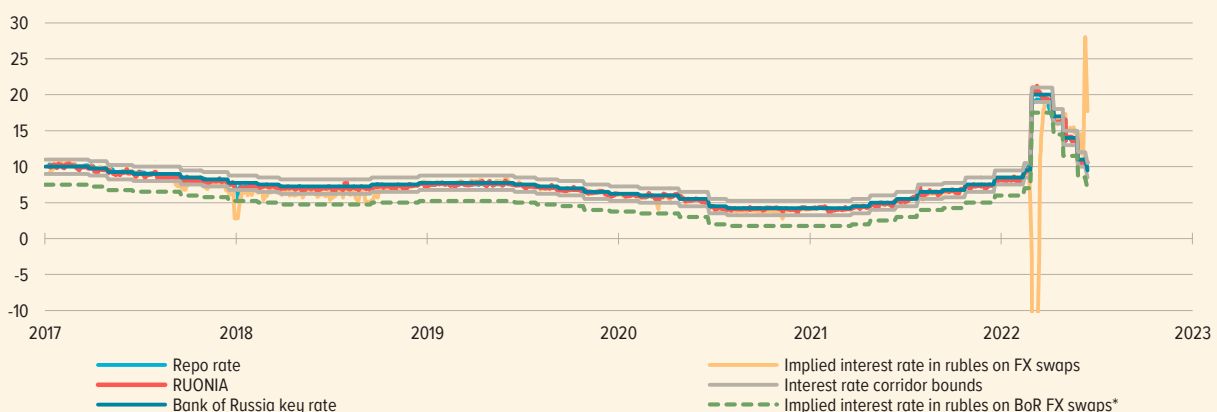
Other financial markets

Foreign currency liquidity. In May, the spread between interest rates in the FX swap and RUONIA (basis) segments was positive, ranging from +100 to +1,744 basis points. Yields on the implied US dollar rate were negative mostly due to sanction-related restrictions, including the ban on any transactions with US counterparties if put on the SDN list, the restrictions on foreign currency correspondent accounts and borrowings in the European and US markets, as well as the blocking of Russian banks' foreign currency accounts and foreign assets. The average basis equalled 4.04 pp in the May AP (vs 69 bp in the April AP, and -3.11 pp over the year).

Foreign exchange market. In May, the ruble continued to strengthen from 71 against the US dollar, reaching 61.5 against the US dollar by the end of the month (Chart B-1-3). The ruble exchange rate rose by 13.3% from the beginning of the month and by 57% from the lowest levels in March, which is the highest growth among all currencies. For the first time since June 2015, the ruble even reached 56.8 against the US dollar. The main contributor was the current account surplus (95.8 billion US dollars in January–April 2022 vs 27.5 billion US dollars in January–April 2021). This was driven by a considerable contraction of imports due to the sanctions, on the one hand, and by the still high export quantities and value, on the other hand. Locally, the ruble exchange rate was supported owing to the tax period at the end of May. Considering the current situation, the Bank of Russia and the Government started easing some foreign exchange controls. Specifically, they permitted to sell foreign currency cash, except US dollars and euros, raised the limits on money transfers abroad, reduced the percentage of foreign currency earnings to be sold from 80% to 50%, and extended the period of the required sale from 60 to 120 days in order to provide more opportunities for exporters to manage their foreign currency liquidity.

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

Chart B-1-1



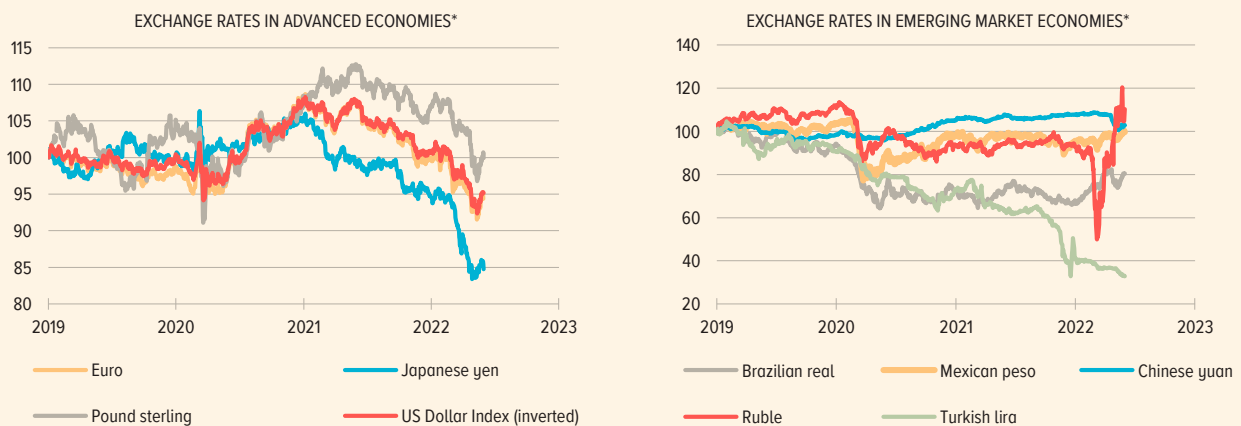
* Implied rate = ruble lending rate – foreign currency borrowing rate + LIBOR (from 19.12.2016: key rate – 1 pp – (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).
Source: Bank of Russia calculations.

Other EMEs' currencies also strengthened against the US dollar, except the Chinese yuan (-0.5%) and the Turkish lira (-10.5%) amid the regional and global decline in economic activity caused by faster inflation in Turkey (73.5% in May and 69.9% in April) and the recently introduced lockdowns in China (Chart B-1-2).

Equity market. In May, stock indices in national currencies predominantly demonstrated an upward trend. The only exception was the European Stock Index amid the large-scale sale of big retail chains' shares in the US market due to a slump in the margin. This was associated with the growth of operating costs (including wages and fuel prices) and a decline in consumers' purchasing power. The demand for hi-tech and media companies' shares plummeted as well. Equity markets were supported by the oil and gas sector amid the gradual lifting of the tight anti-coronavirus restrictions in China and a potential embargo on Russian oil. By the end of the month, S&P 500 remained unchanged, Stoxx 600 lost 1.6%, and MSCI EM added 0.1% (Chart B-1-5). The Russian stock market demonstrated a downward trend: the MOEX Index dropped by 3.7% due to the persistent geopolitical and sanction risks and the cancellation of dividend payouts this year. The RTS Index rose, predominantly driven by the exchange rate of the ruble that continued to strengthen (+11.7%).

THE RUBLE CONTINUED TO STRENGTHEN AGAINST THE US DOLLAR IN MAY
(02.01.2019 = 100)

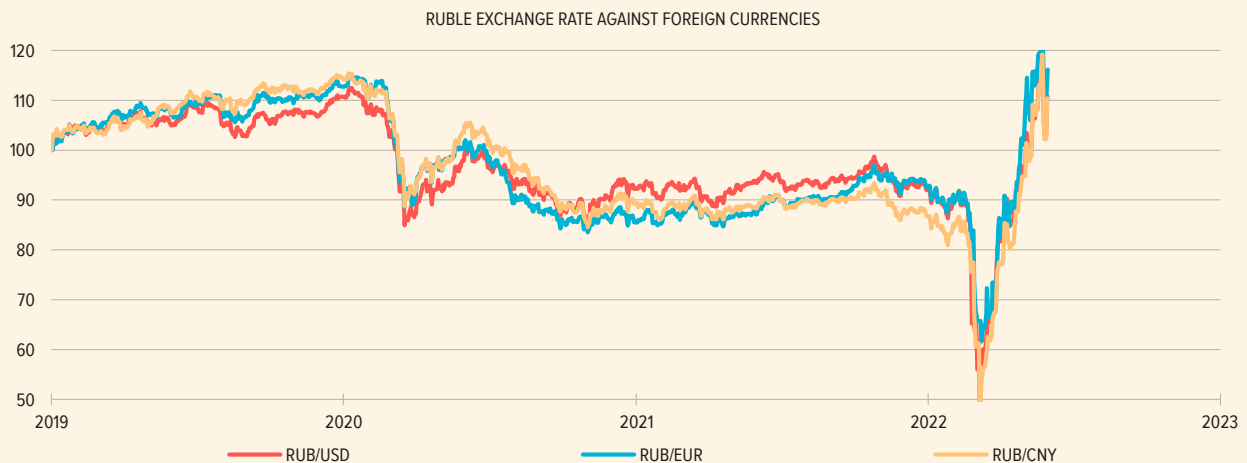
Chart B-1-2



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

THE RUBLE EXCHANGE RATE RAPIDLY RECOVERED
(02.01.2019 = 100)

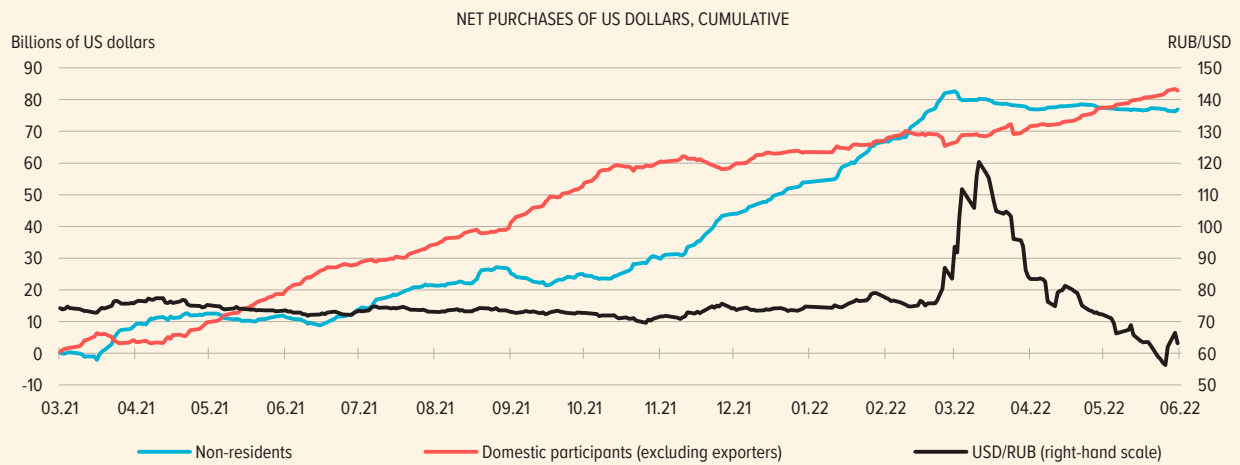
Chart B-1-3



Sources: Cbonds, Bank of Russia calculations.

NON-RESIDENTS DID NOT PURCHASE FOREIGN CURRENCY IN MAY DUE TO THE EFFECTIVE RESTRICTIONS

Chart B-1-4

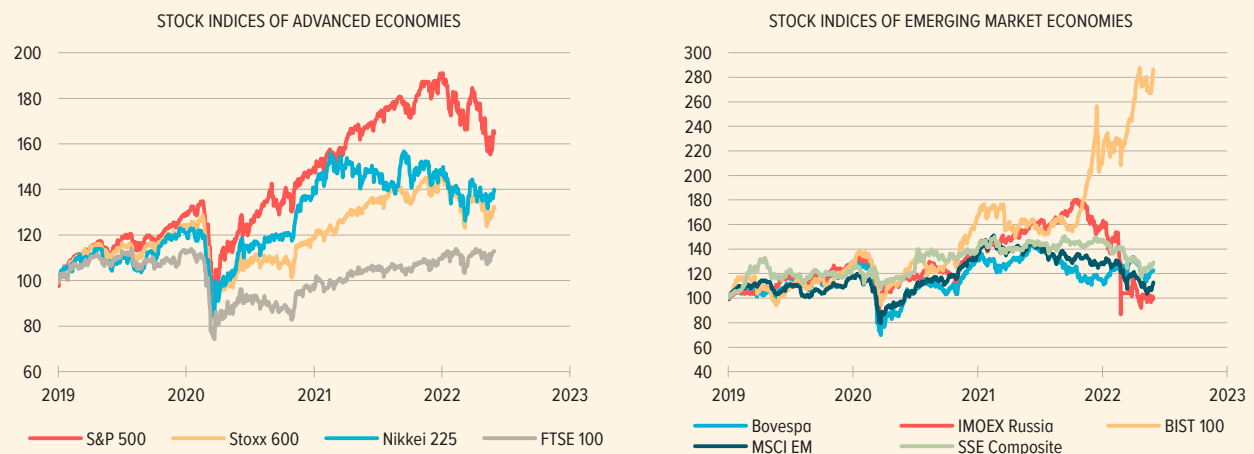


Sources: PJSC Moscow Exchange, Cbonds, Bank of Russia calculations.

STOCK INDICES IN MOST COUNTRIES ROSE, EXCEPT IN THE EUROPEAN STOCK MARKET

Chart B-1-5

(02.01.2019 = 100)



Note. Stock indices are specified in national currencies.

Sources: Cbonds, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. After the key rate reduction on 11 April, banks started to revise interest rates on retail deposits downwards, first of all on short-term ones⁶ that had risen most notably in March. Interest rates in this segment declined by nearly 5 pp in April, whereas the decrease in the long-term segment was less than 0.5 pp. This was because banks sought to maintain the accessibility of steady funding, while preserving the attractiveness of long-term deposits as a savings instrument for depositors, especially considering the slowdown of inflation (Chart 12).

In May, following the decrease in the key rate, deposit rates in the retail segment continued to go down gradually. In particular, the deposit index FRG100⁷ dropped by almost 1.00 pp over

⁶ Short-term deposits imply deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

⁷ The average interest rate of 54 largest deposit banks on deposits for up to one year in an amount of at least 100,000 rubles, according to the information agency Frank RG.

the month, reaching 7.92% (Chart 13). Taking into account the continuing easing of monetary policy, there is still potential for a further reduction in interest rates on ruble deposits (especially those with the shortest maturities), but banks' competition for depositors may be a limiting factor in this process.

After the surge in the first half of March caused by the increased need for foreign currency liquidity in the banking sector and rising demand for foreign currency cash, interest rates on foreign currency deposits returned to the pre-crisis levels of 0.1–0.25% per annum. Moreover, seeking to limit the proportion of foreign currency liabilities amid the uncertainty about exchange rate trends, some market participants suspended new foreign currency deposits and introduced fees on large amounts held by retail clients in foreign currency accounts.

Deposit operations. The February increase in the key rate to 20% per annum, which pushed up deposit rates, boosted households' propensity to save and helped quickly terminate the outflow of funds from retail bank deposits. Already in April, their annual growth⁸ sped up to 2.8% after the decline to 1.4% in March. The inflow of households' funds into banks was driven solely by short-term ruble deposits, whereas the contribution of all other elements to the overall expansion of deposit portfolios remained negative (Chart 14). In turn, the proportion of foreign currency deposits edged down to the lowest value since 2008, namely 15.2%, which was due to the negative dynamics of foreign currency deposits and the strengthening of the ruble.

In April, households partially used their savings to purchase real estate, as in the previous month, but the amounts decreased: balances in escrow accounts were up by 113 billion rubles (in March – by 313 billion rubles), which could be associated with the temporary rise in the interest rate on subsidised loans in the first ten days of April.⁹ Furthermore, InFOM recorded a worsening of the estimates of actual changes in personal financial standing and the estimates of the suitability of the current period for large purchases among households as of the end of the month,¹⁰ which could be a factor limiting the use of considerable amounts of funds by households to buy durable goods.

In the short term, households' relatively high propensity to save will continue to support the growth of bank deposits.

Credit rates. In March–April, most segments of the credit market recorded a rise in interest rates on ruble loans (which was most notable in the segment of short-term transactions) in response to the key rate increase to 20% per annum by the Bank of Russia. In March, interest rates on loans to non-financial organisations for up to one year edged up by 7.2 pp to 18.7% and for more than one year – by 2.6 pp to 13.2%, primarily for large corporate borrowers (Chart 12). Contrastingly, the rise in interest rates on loans to small and medium-sized businesses was less significant and comparable for short- and long-term transactions owing to the subsidised working capital and investment lending programmes implemented by the government.¹¹ In April, average market rates on loans to non-financial organisations started to trend downwards, first of all on loans for up to one year. The consecutive key rate cuts in April–May, the effective subsidised lending programmes, and the expansion of the government programme supporting lending to systemically important enterprises¹² will contain the increase in credit rates in the short run.

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

⁹ Resolution of the Government of the Russian Federation No. 508, dated 29 March 2022.

¹⁰ Refer to the information and analytical commentary [Inflation Expectations and Consumer Sentiment](#), No. 4 (64), April 2022.

¹¹ Directives of the Government of the Russian Federation No. 535-r and No. 536-r, dated 18 March 2022.

¹² Resolutions of the Government of the Russian Federation No. 375, dated 16 March 2022; No. 393, dated 17 March 2022; No. 574, dated 2 April 2022; No. 742, dated 22 April 2022; Directives of the Government of the Russian Federation No. 532-r, dated 18 March 2022; No. 534-r, dated 18 March 2022; No. 831-r, dated 11 April 2022.

In April, the cost of borrowing in the retail segment of the credit market rose less significantly than in March: the average interest rate on short-term loans edged up by 1.5 pp, whereas that on long-term loans increased by 3.8 pp primarily due to the change in the structure of loans issued to individuals. After the surge in households' demand for housing loans in March, the proportion of mortgage loans in the market turnover notably contracted in April, including owing to the increase in the interest rate on subsidised loans from 7% to 12% per annum,¹³ while the average interest rate on ruble-denominated housing mortgage loans edged down slightly, primarily due to the reduction in mortgage loans issued on market terms. Interest rates on other long-term non-mortgage loans stayed close to the level recorded in March. According to the monitoring of high-frequency indicators,¹⁴ responding to the changes in the key rate, banks adjusted downwards their interest rates on market-based mortgage loans, in both the primary and secondary segments (the reduction totalled about 3 pp) (Chart 13). Combined with the updating of the subsidised mortgage lending programme in the new housing segment¹⁵ (the interest rate for ultimate borrowers was cut from 12% to 9% per annum), this will limit the growth of interest rates on loans issued to individuals. However, average interest rates on long-term retail loans might change unevenly in the next few months, largely influenced by fluctuations in the structure of issued loans.

Corporate lending. Higher credit rates continued to limit the expansion of corporate lending. As of the end of April, the annual growth of the portfolio of bank loans to companies¹⁶ slowed down by 2.9 pp to 9.9% (Chart 15). As in the previous month, government support programmes were an important factor preventing a considerable shrinkage in corporate lending amid serious economic uncertainty. Accordingly, the increase in the corporate loan portfolio in April was driven solely by ruble transactions, whereas the trend towards a reduction in the proportion of foreign currency loans became even more notable: the annual decrease in foreign currency loans sped up to 10.7% (from 3.7% in March).

Tightened non-price lending conditions will continue to limit the growth of corporate lending in the short term. Due to high uncertainty and banks' cautiousness in selecting borrowers, non-price lending conditions will be eased gradually as market participants adjust to the changed macroeconomic environment. As before, the dynamics of the corporate loan portfolio will be supported by large-scale subsidised lending programmes, as well as an easing of price lending conditions following the key rate reduction.

Retail lending. Rising credit rates, the tightening of non-price lending conditions by banks, and high uncertainty about macroeconomic developments contributed to a further slowdown in retail lending. As of the end of April, the annual growth of the retail loan portfolio¹⁷ edged down to 17.4% from 20.9% in the previous month (Chart 15).

The decline in credit activity was mostly due to higher-risk unsecured consumer lending as banks preferred conservative approaches to assessing borrowers' solvency and households became more cautious in their decisions on borrowings feeling uncertain about the stability of their incomes: in April, the portfolio of such loans shrank by another 1.5%, after the contraction by 1.9% in March. The portfolio of housing mortgage loans slightly decreased over the month. Expectedly, subsidised programmes supported the dynamics of lending in this segment. However, the amount of issued mortgage loans plummeted as compared to the average over the previous two years (422 billion rubles). Specifically, new mortgage loans granted in April totalled 162 billion rubles, including over 70% under government subsidised mortgage lending programmes. As a result, the contribution of consumer lending to the aggregate annual growth of the retail loan portfolio continued to decline (Chart 16).

¹³ Resolution of the Government of the Russian Federation No. 508, dated 29 March 2022.

¹⁴ According to [weekly monitoring of market rates of supply in the mortgage market](#) published by DOM.RF.

¹⁵ Resolution of the Government of the Russian Federation No. 806, dated 30 April 2022.

¹⁶ Hereinafter, the growth of lending to non-financial and financial organisations and individual entrepreneurs does not include claims on such loans acquired by banks.

¹⁷ Hereinafter, the growth of household lending does not include claims acquired by banks.

According to preliminary data, credit activity in the retail segment was still weak in May, with the downward trend remaining. As credit rates adjust to the actual monetary policy easing in May, as well as because the subsidised mortgage lending programme was extended until the end of 2022 with the updated parameters¹⁸ (the maximum amount was raised and the interest rate was reduced), retail lending might recover somewhat in the short run. However, the pace and the scale of this rebound will depend on, among other factors, the level of payment discipline among borrowers under earlier signed loan agreements, the dynamics of economic activity, and households' demand for new loans that banks expect to go up in 2021 Q3 (Chart 17).

Money supply. In April, the expansion of banks' claims on the economy¹⁹ remained the key source of the growth of money supply, but their annual increase decelerated to 14.1% from 15.7% in March. Combined with a weaker rise in the banking system's net foreign assets, this slowed down the annual growth of the main monetary aggregates by early May: the amount of cash in circulation (M0) – from 10.1% to 5.1%, money supply according the national definition (M2) – from 17.1% to 15.7%, and broad money (M2X) – from 11.0% to 10.7% (Chart 18).

It should be emphasised that, driven by an increase in government expenditures, the contribution of the banking system's net claims on the general government to money supply dynamics started to increase for the first time over more than a year. Additionally, the growth of balances in individuals' escrow accounts not included in money supply continued to significantly limit the rise in the monetary aggregates.

In the short term, credit activity can be expected to stay the key driver of money supply, especially in the conditions of a gradual reduction in credit rates in response to the earlier and expected further easing of monetary policy. Concurrently, the impact of budget operations on money supply dynamics will strengthen due to the planned increase in government expenditures in 2022 coupled with the Government's decisions on mandatory payments (including the rescheduling of payments of social insurance premiums for 2022 Q2–Q3 to 2023).

¹⁸ Resolution of the Government of the Russian Federation No. 806, dated 30 April 2022.

¹⁹ Banking sector claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

Charts and tables

THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS INCREASED IN MAY 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	01.04.2022	01.05.2022	01.06.2022
Structural liquidity deficit (+) / surplus (-)	-2,639	-3,016	-2,761	-204	-1,691	-280	-1,538	-1,968
Bank of Russia's claims on credit institutions	10	21	18	976	909	2,484	836	277
Auction-based facilities	-	-	-	847	116	2,298	767	173
– repos and FX swaps	-	-	-	847	116	2,298	767	173
Fixed interest rate facilities	10	21	18	129	793	186	69	104
– repos and FX swaps	4	8	13	118	3	92	3	18
– secured loans	5	13	5	10	790	94	66	86
Credit institutions' claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,804	3,108	2,827	2,749
Deposits	2,372	1,902	1,026	1,221	2,804	3,108	2,827	2,749
– auction-based	2,125	1,478	697	844	1,626	-	-	850
– fixed interest rate	247	424	330	377	1,178	3,108	2,827	1,899
BoR coupon bonds	357	1,391	1,956	575	-	-	-	-
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	204	343	454	504

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

Source: Bank of Russia calculations.

THE FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS FOR THE END OF 2022 EQUALS 3.5–4.0 TRILLION RUBLES
(TRILLIONS OF RUBLES)

Table 3

	2021 (actual)	January– May 2022	May 2022	2022 (forecast)
1. Liquidity factors	1.6	-0.6	1.2	[1.0; 1.4]
– change in the balances of funds in the general government accounts with the Bank of Russia, and other operations*	2.3	-1.2	0.8	[1.4; 1.6]
– change in the amount of cash in circulation	-0.7	0.1	0.4	[-1.0; -0.8]
– Bank of Russia's interventions in the domestic FX market and monetary gold purchases**	-	-0.1	-	-0.1
- regulation of banks' required reserves with the Bank of Russia	-0.1	0.7	0.0	0.6
2. Change in free bank reserves (correspondent accounts) (demand)	0.1	-0.9	0.8	[-0.9; -0.8]
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	1.0	-0.1	0.6	[1.4; 1.9]
4. Change in outstanding amounts on Bank of Russia refinancing operations	-0.5	-0.3	0.2	-0.4
Structural liquidity deficit (+) / surplus (-)	-1.7		-2.0	[-4.0; -3.5]

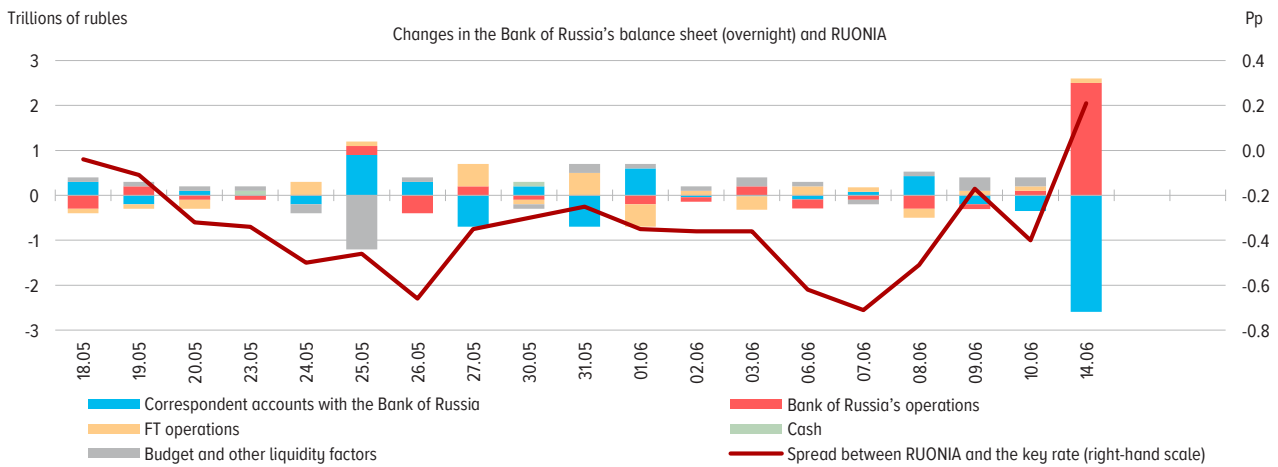
* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.

** 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.

CASH CONTINUED TO RETURN TO BANKS IN MAY

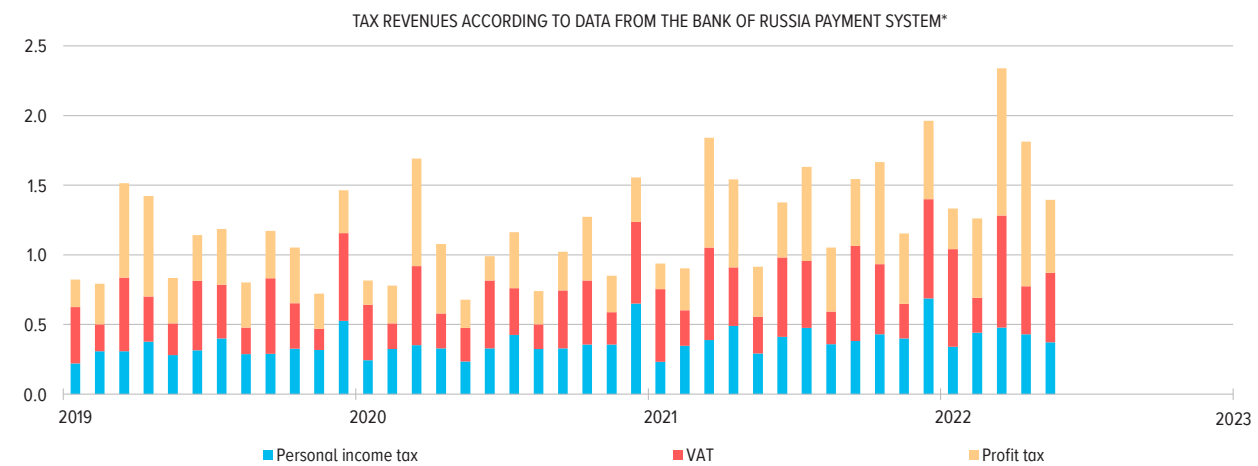
Chart 1



Source: Bank of Russia calculations.

IN MAY, THE ANNUAL GROWTH OF PAYMENTS OF PERSONAL INCOME TAX AND VAT SPED UP, WHEREAS THE INCREASE IN PROFIT TAX PAYMENTS SLOWED DOWN

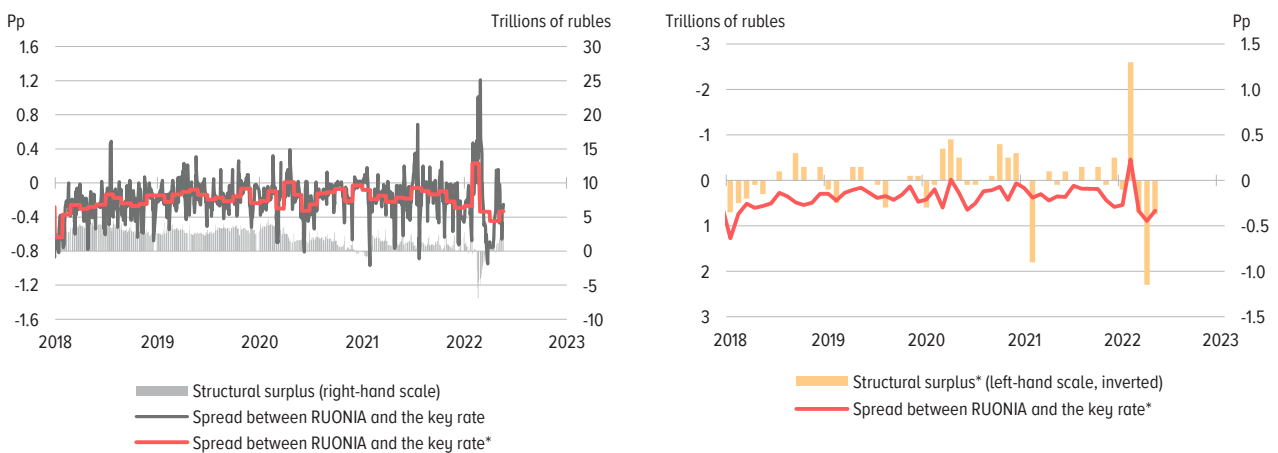
Chart 2



* 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 CONTRACTED

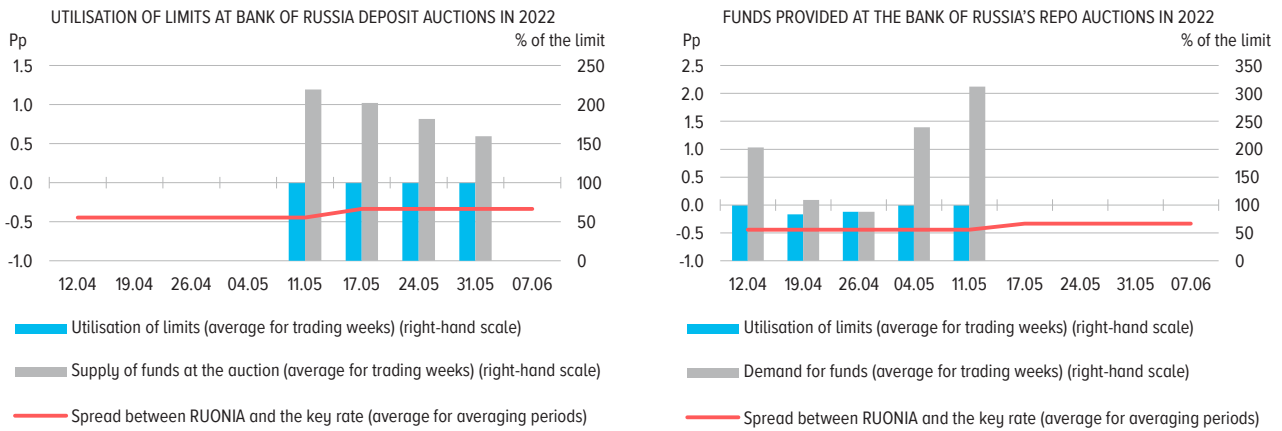
Chart 3



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

DEMAND FROM BANKS FOR THE BANK OF RUSSIA REPOS WAS FORMED ABOVE THE ESTABLISHED LIMITS

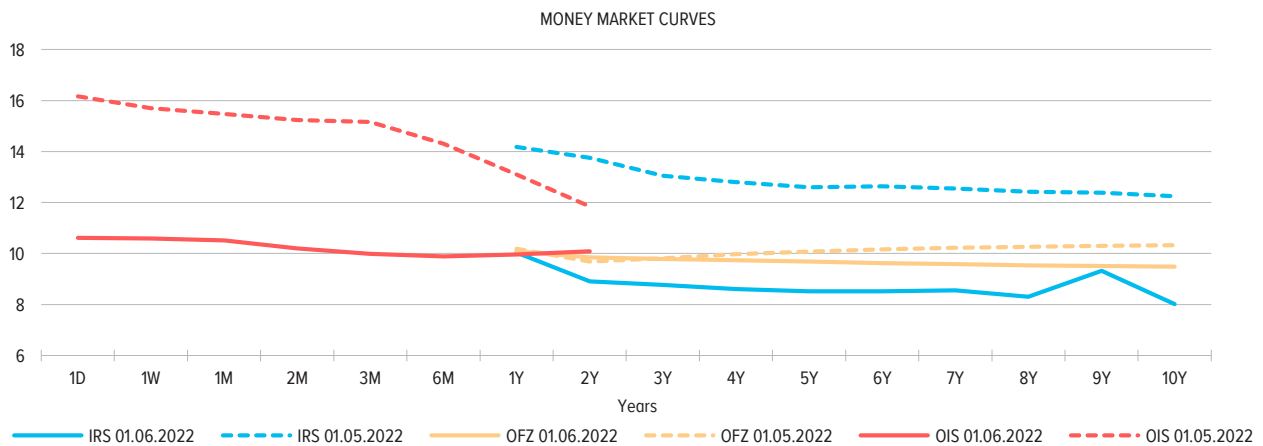
Chart 4



Note. The data are provided on fine-tuning deposit and repo auctions, and one-week auctions. Trading weeks are those including the dates of regular one-week auctions. Fine-tuning auctions are taken into account together with the one-week auction, the settlements under which were made over the corresponding trading week.
Source: Bank of Russia calculations.

YIELD CURVES DECLINED CONSIDERABLY IN MAY, FOLLOWING THE PATH OF THE KEY RATE (% P.A.)

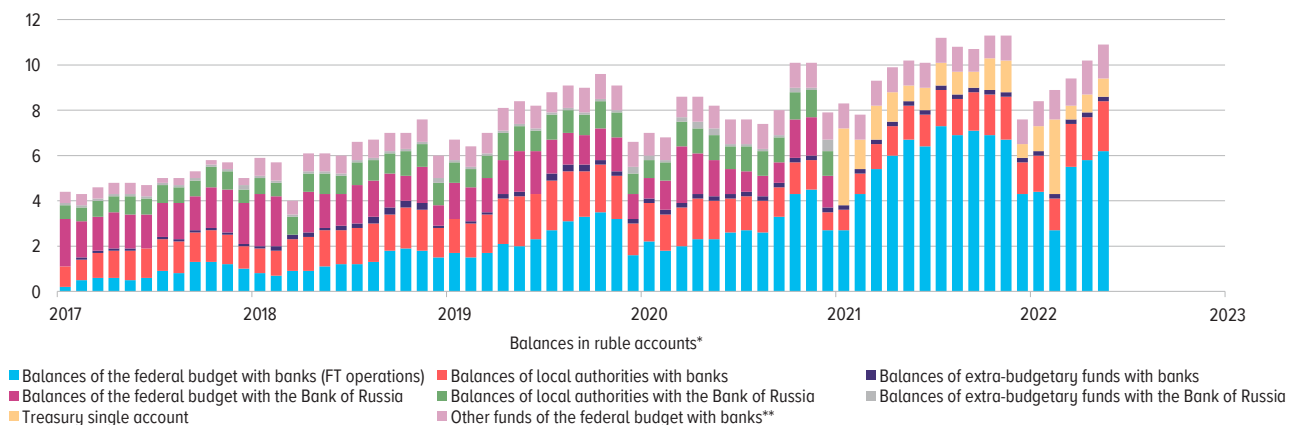
Chart 5



Note. The IRS curve for maturities of up to one year is built using MosPrime rates with respective maturities.
Sources: Cbonds, NFA, Bank of Russia calculations.

OVERALL BALANCES OF BUDGETARY FUNDS CONTINUED TO INCREASE IN MAY (TRILLIONS OF RUBLES, AS OF THE PERIOD-END)

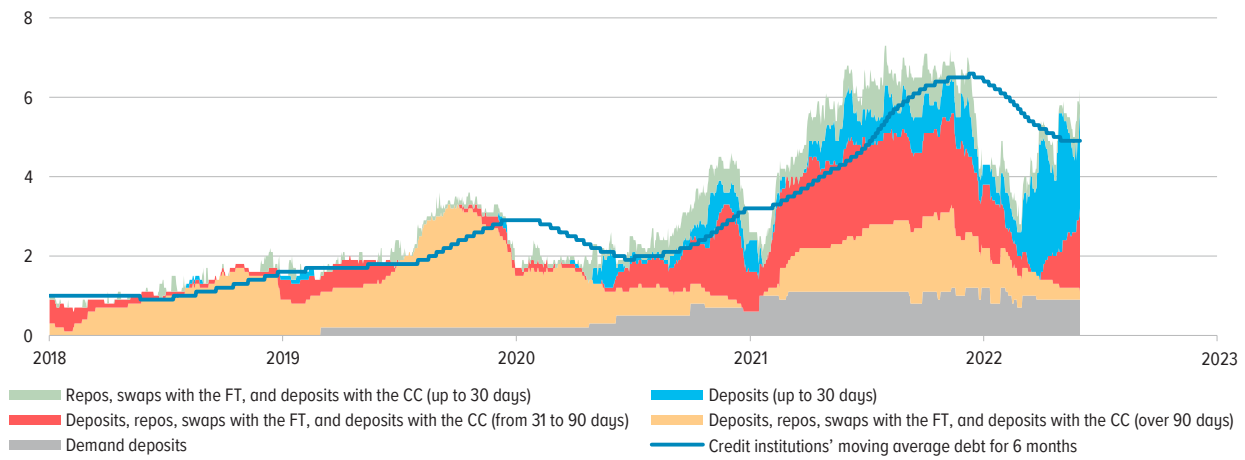
Chart 6



* According to banking reporting form 0409301 'Performance indicators of a credit institution'.
** 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 0.4 TRILLION RUBLES IN MAY
(TRILLIONS OF RUBLES)

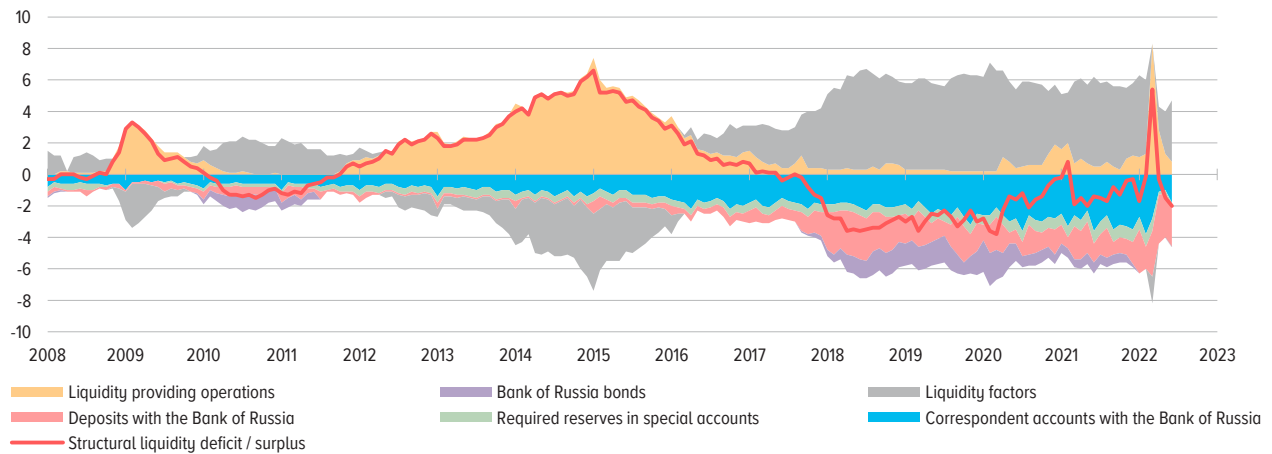
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

BANK OF RUSSIA BALANCE SHEET
(TRILLIONS OF RUBLES)

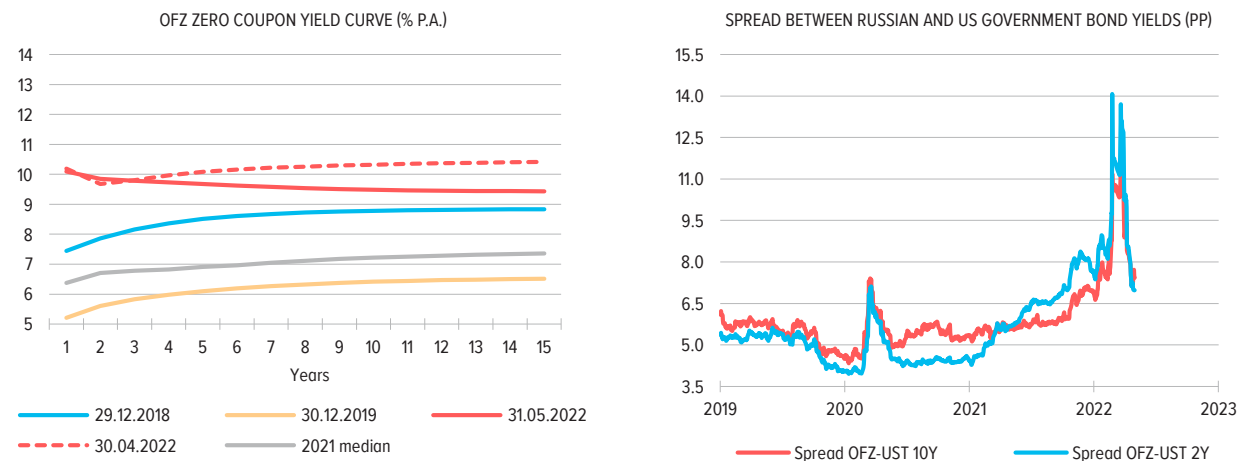
Chart 8



Source: Bank of Russia calculations.

THE OFZ YIELD CURVE WAS FLATTENING IN MAY

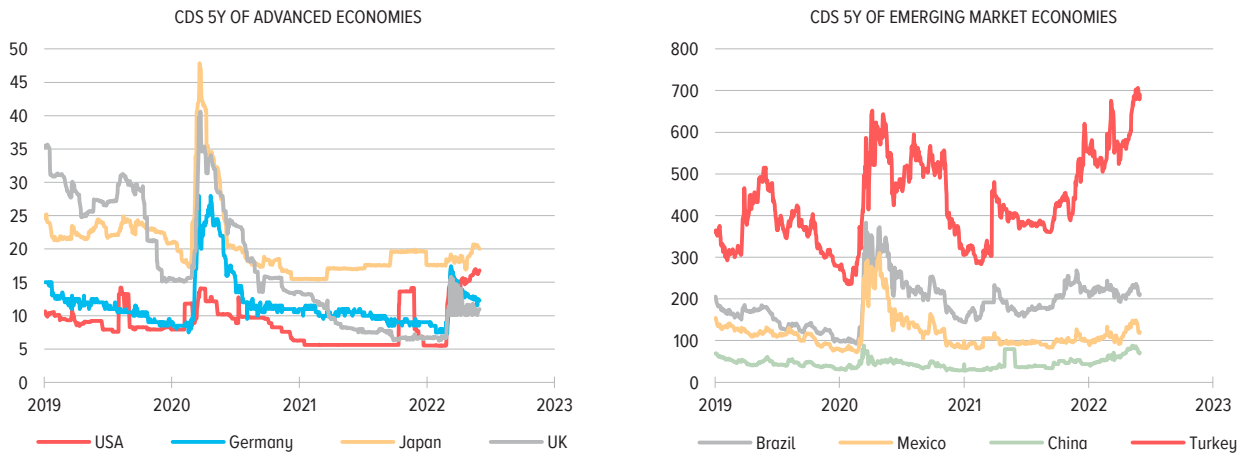
Chart 9



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

5Y CDS SPREADS DECLINED OVER THE MONTH IN ALL EMES, EXCEPT TURKEY (BP)

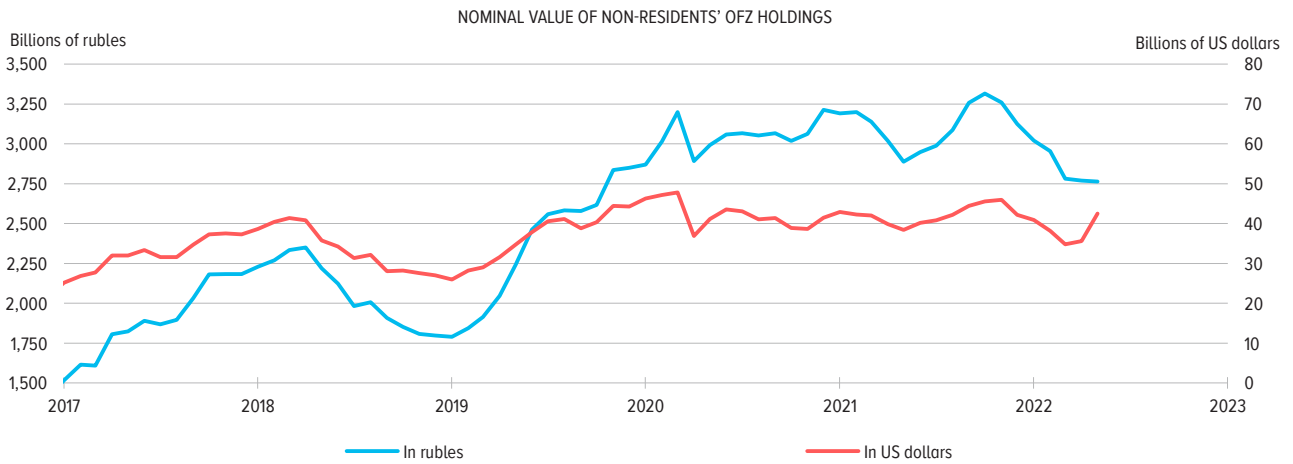
Chart 10



Sources: Cbonds, Bank of Russia calculations.

BY THE END OF THE MONTH, NON-RESIDENTS' INVESTMENT IN OFZ BONDS REMAINED UNCHANGED DUE TO THE EFFECTIVE RESTRICTIONS

Chart 11



Sources: PJSC Moscow Exchange, Bank of Russia calculations.

RUSSIA'S FINANCIAL MARKET CONTINUED TO BOUNCE BACK IN MAY

Table 4

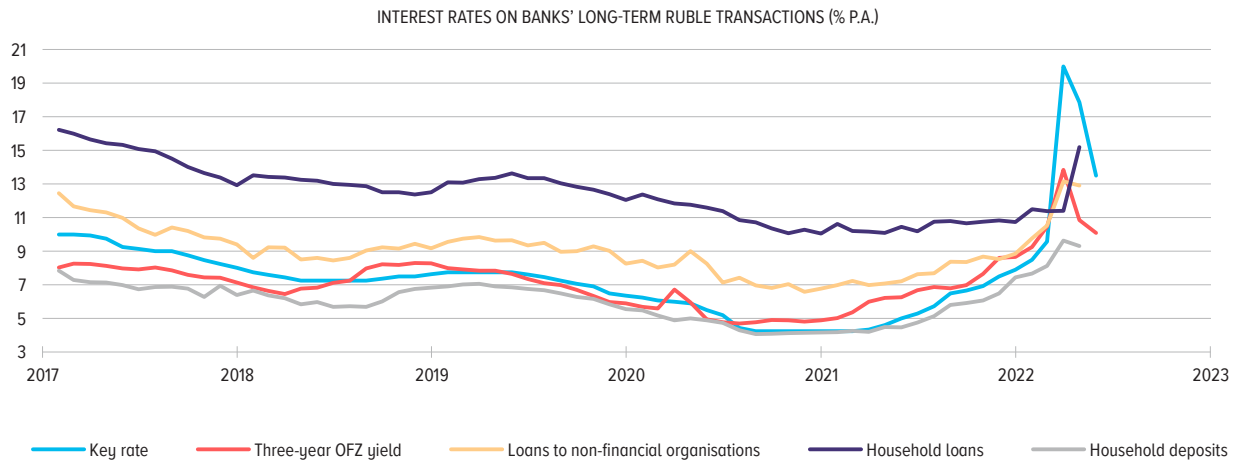
Indicator		31.05.2022	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		61.99	12.6	42.9	16.3	17.0	15.3
MOEX Index		2,356	-3.7	-4.6	-39.5	-37.8	-36.9
RTS Index		1,208	11.7	28.9	-26.6	-24.3	-24.7
Government bond yield		9.64	-51	-386	118	123	273
Corporate bond yield		11.85	-68	-226	241	300	490
Regional bond yield		10.92	-51	-255	183	229	391
CDS spread		7,952	3,324	5,962	7,839	7,832	7,858
RVI		67	-4	-55	31	34	41
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	101.75	-1.2	4.5	6.0	6.4	13.0
	Euro	1.07	1.9	-3.9	-5.6	-5.9	-12.2
	Japanese yen	128.70	-0.9	12.0	13.6	11.8	17.2
	Pound sterling	1.26	0.0	-5.5	-5.3	-6.8	-11.2
EMEs	Ruble	61.99	12.6	42.9	16.3	17.0	15.3
	Brazilian real	4.73	4.8	8.3	15.9	15.1	9.5
	Mexican peso	19.66	3.7	4.8	8.3	4.1	1.3
	Chinese yuan	6.67	-0.5	-5.6	-4.7	-4.8	-4.9
	Turkish lira	16.41	-10.5	-17.9	-21.8	-23.1	-92.1
	South African rand	15.63	1.1	-1.3	1.5	2.3	-13.6
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	2.85	-4	113	142	133	127
	Germany	1.04	10	112	139	122	122
	Japan	0.24	2	6	18	17	16
	UK	1.98	8	85	117	101	119
EMEs	Russia	9.48	-84	948	116	104	224
	Brazil	12.53	33	1253	117	227	338
	Mexico	8.77	-63	52	84	93	195
	China	2.81	-5	-2	-7	2	-29
	Turkey	22.73	137	-172	147	-194	404
	South Africa	9.84	-13	34	7	41	89
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	17	2	5	1	5	7
	Germany	12	-1	4	3	4	2
	Japan	20	1	2	2	3	3
	UK	11	0	0	0	1	0
EMEs	Russia	7,952	3,324	5,962	7,839	7,832	7,858
	Brazil	212	-5	-2	-33	17	48
	Mexico	120	-12	10	6	34	30
	China	71	-7	9	16	30	33
	Turkey	690	96	123	200	145	296
	South Africa	234	-15	5	-9	33	45
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,132	0.0	-4.0	-9.5	-13.3	-1.7
	Stoxx 600	443	-1.6	0.2	-4.2	-9.1	-1.3
	Nikkei 225	27,280	1.6	1.6	-1.9	-5.3	-6.4
	FTSE 100	7,608	0.8	3.8	7.8	3.0	8.3
EMEs	MSCI EM	1,078	0.1	-8.4	-11.1	-12.5	-20.8
	Bovespa	111,351	3.2	-1.6	9.3	6.2	-11.3
	IPC Mexico	51,753	0.7	-2.7	4.1	-2.9	3.4
	SSE Composite	3,186	4.6	-8.7	-10.6	-12.5	-11.5
	BIST 100	2,547	4.8	29.3	40.8	37.1	79.1
	FTSE/JSE	72,095	-0.5	-6.5	2.3	-2.2	6.7

* Advanced economies.

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

THE IMPLEMENTATION OF SUBSIDISED LENDING PROGRAMMES CONTAINS THE GROWTH OF CREDIT RATES

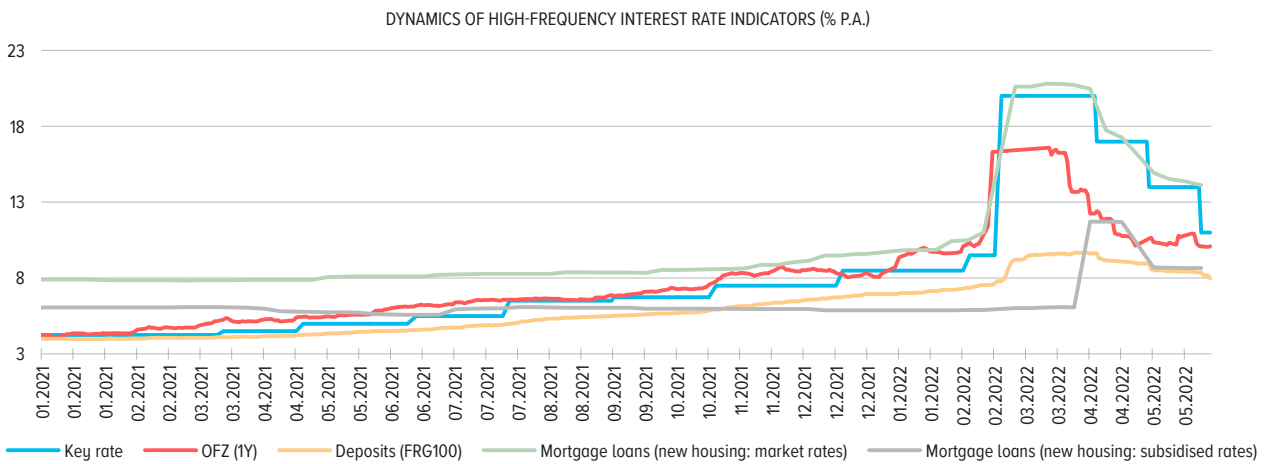
Chart 12



Source: Bank of Russia.

INTEREST RATES ON BANK PRODUCTS DECLINED IN MAY, FOLLOWING THE KEY RATE REDUCTION

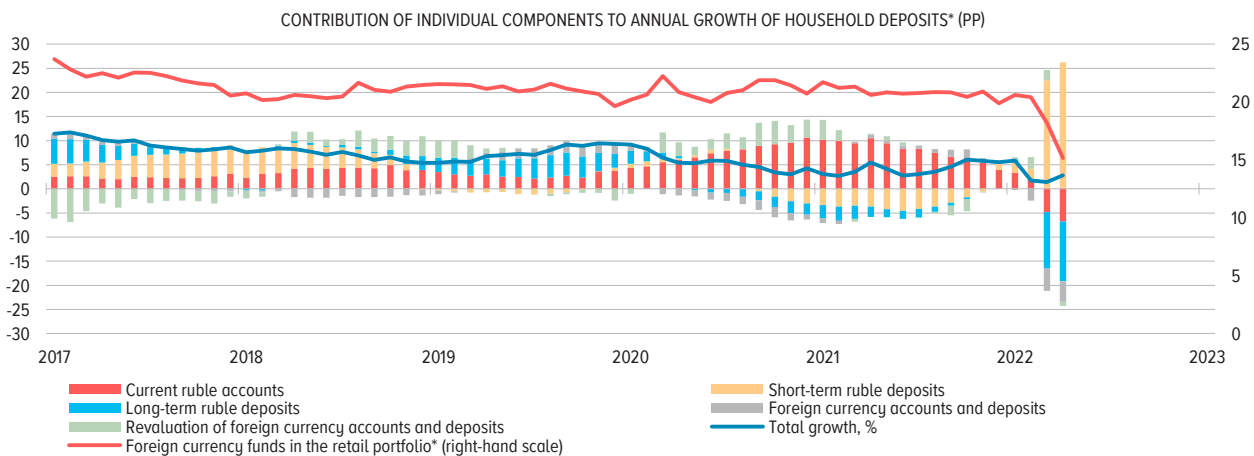
Chart 13



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

HOUSEHOLDS STILL PREFER SHORT-TERM RUBLE DEPOSITS TO LONG-TERM ONES

Chart 14

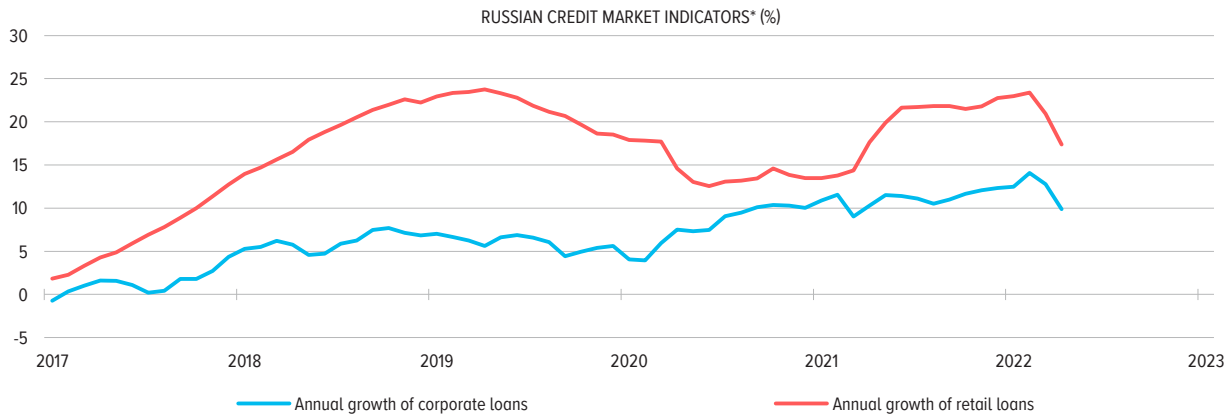


* Excluding escrow accounts.

Source: Bank of Russia calculations.

CORPORATE AND RETAIL LENDING CONTINUED TO DECLINE IN APRIL

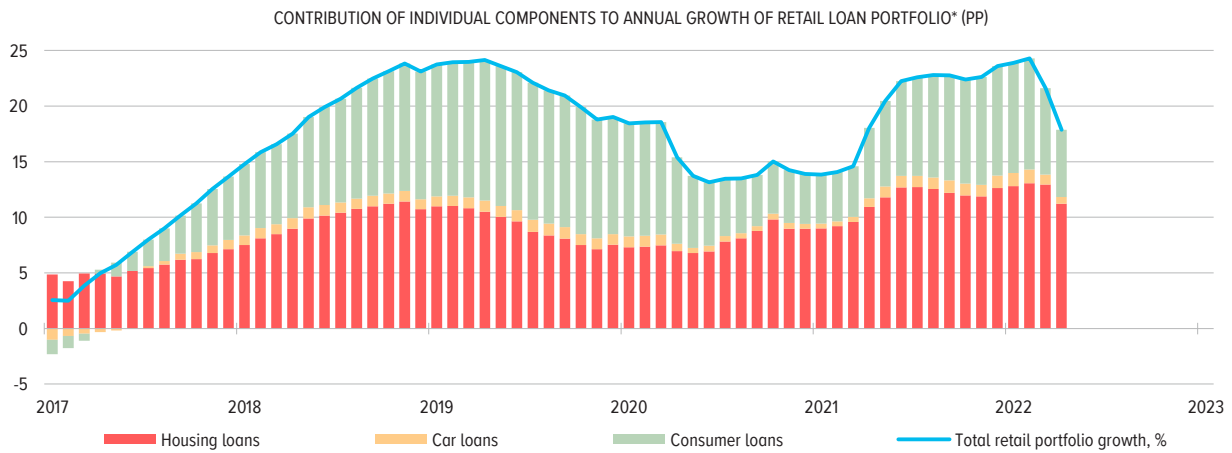
Chart 15



* Since 1 February 2021, the corporate and household loan portfolio includes acquired claims. The portfolio growth was calculated net of acquired claims.
Source: Bank of Russia calculations.

THE PORTFOLIO OF CONSUMER LOANS WAS CONTRACTING FOR THE SECOND CONSECUTIVE MONTH, WHEREAS THE DECREASE IN THE MORTGAGE PORTFOLIO WAS LIMITED OWING TO SUBSIDISED LENDING PROGRAMMES

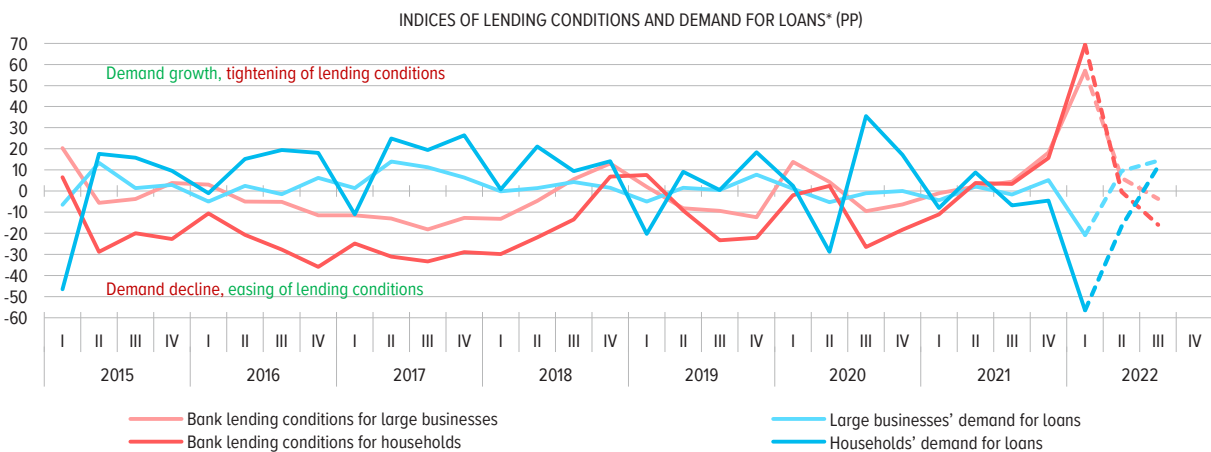
Chart 16



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

BANKS ARE EXPECTED TO EASE LENDING CONDITIONS IN 2022 H2

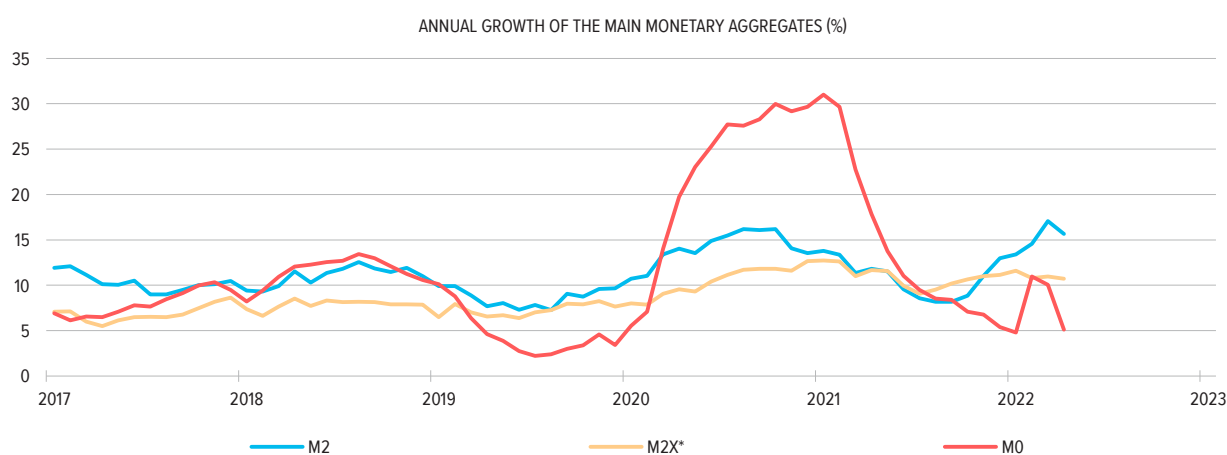
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2022 Q1.
Source: Bank of Russia.

THE GROWTH OF MONETARY AGGREGATES STARTED TO SLOW DOWN IN APRIL

Chart 18



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

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		January 2022	February 2022	March 2022	April 2022
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	7.7	8.1	9.6	9.3
household loans	% p.a.	11.5	11.4	11.4	15.2
corporate loans	% p.a.	9.8	10.9	13.2	12.9
Households' funds*	% YoY, AFCR	5.9	1.7	1.4	2.8
in rubles*	% YoY	7.8	5.2	7.6	9.0
in foreign currency	% YoY	-1.0	-10.7	-20.5	-21.3
share of foreign currency*	%	20.6	20.4	18.2	15.2
Corporate loans**	% YoY, AFCR	12.5	14.1	12.8	9.9
short-term (up to 1 year)	% YoY, AFCR	13.2	14.8	7.3	4.9
long-term (more than 1 year)	% YoY, AFCR	14.3	15.8	15.4	12.3
Household loans**	% YoY, AFCR	23.0	23.4	20.9	17.4
housing mortgage loans	% YoY, AFCR	27.0	27.4	27.2	23.5
unsecured consumer loans	% YoY	20.2	20.5	16.0	12.5
Banking system's claims on the economy	% YoY, AFCR	14.2	16.1	15.7	14.1
on businesses	% YoY, AFCR	11.1	13.7	14.0	12.9
on households	% YoY, AFCR	22.1	22.5	20.2	17.0
Money supply (monetary aggregate M2)	% YoY	13.4	14.6	17.1	15.7
Broad money	% YoY, AFCR	11.6	10.8	11.0	10.7

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.

* Excluding escrow accounts.

** Since 1 February 2021, the portfolio of corporate and retail loans includes acquired claims. The portfolio growth was calculated net of acquired claims.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 14 June 2022 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of required reserves averaging periods. In May–June 2022, this period is from 18 May 2022 to 14 June 2022);
- 'Money market yield curves and key rate expectations' and 'Public debt market' sections – 31 May 2022;
- 'Credit and deposit market' section – 1 May 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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