



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

No. 17 • February 2023

1 February 2023

CONTENTS

Russian Federation.....	4
Key trends in Russian regions	5
Core economic indicators	6
Inflation in Russian regions.....	7
Bank of Russia Main Branch for the Central Federal District.....	8
Bank of Russia North-Western Main Branch	10
Bank of Russia Volga-Vyatka Main Branch	12
Bank of Russia Southern Main Branch	14
Bank of Russia Ural Main Branch	16
Bank of Russia Siberian Main Branch	18
Bank of Russia Far Eastern Main Branch.....	20
Box 1. Regional and sectoral labour markets.	22
Box 2. Producer costs.....	27
Regional Economy: earlier issues and boxes therein	33
Annex. Core economic indicators	35

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

This issue was compiled by the Far Eastern Main Branch of the Central Bank of the Russian Federation.

Please send your comments and suggestions to oleninaea@cbr.ru, mogilatan@cbr.ru, andreevav@cbr.ru, and danilovail@cbr.ru.

Cover photo: Primorye Territory, Russky Bridge. Source: Shutterstock/FOTODOM

12 Neglinnaya Street, 107016 Moscow
Bank of Russia website: www.cbr.ru

© Central Bank of the Russian Federation 2023

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 14,000 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, business representatives, 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 January 2023, we surveyed 14,141 companies.

RUSSIAN FEDERATION

In December 2022–January 2023, price growth accelerated as compared to previous months. Consumer activity in most Russian regions remained moderate. Enterprises were launching new import substitution projects, expanding the geography of their external economic relations. This contributed to the increase in the supply of a number of goods. In December, the amount of mortgage loans surged as borrowers expected price conditions under the government subsidised mortgage lending programme to change from the beginning of 2023.

In December 2022–January 2023, monthly price growth sped up compared to October–November, whereas annual price growth continued to slow down. This was largely caused by the indexation of utility tariffs. Excluding this component, the average level of consumer prices remained almost unchanged in December. Price growth was constrained by the expansion of food supply and subdued demand. In January, price growth (excluding the tariff indexation) accelerated, according to recent data. Households' and businesses' inflation expectations decreased as compared to December, while staying elevated in the ranges of 2022 H2.

Consumer activity in December—the first half of January remained moderate. As compared to October–November 2022, there was a slight rebound. The demand for entertainment services was high. The demand for domestic tourism services, entertainment, and public catering increased most significantly, exceeding last year's figures. During the New Year holidays, the demand for travels, excursions, and accommodation for tourists surged in Moscow, Saint Petersburg, Udmurtia, the Primorye Territory, the Caucasus, Altai, and many other regions.

Economic activity was growing, and enterprises continued to adapt their operations to the new environment. The output of domestic products, especially investment goods, expanded due to a reduction in the supply of imports. Specifically, new plants were commissioned in machine building (the Urals), the manufacture of motor vehicles (Central Russia), the chemical industry (the North-West), seed production (the South), and other sectors. Many enterprises reached the full utilisation of their production capacities. **Unemployment hit a new record low**, while the demand for workers continued to go up (see the Box '*Regional and sectoral labour markets*'). This supported the growth of real wages. Nevertheless, part-time employment schemes still remained in some segments, mostly at forestry enterprises of the North-West, Volga-Vyatka, and the Far East and at mining and quarrying enterprises in the Urals and Siberia. By the end of the year, some of these enterprises started to free up workers.

However, companies' costs rose significantly in 2022: the forced readjustment of business processes made logistics routes longer, increased the number of intermediaries, and changed the conditions for settlements with suppliers. The pass-through of additional costs to consumer prices will continue (see the Box '*Producer costs*').

Banks continued to build up their loan portfolios. The expansion of corporate lending sped up in November. The amount of mortgage loans issued in December hit a record high, which was associated with the expiry of the period when government subsidised loans were granted at lower interest rates than those stipulated for 2023. This was also increased the number of transactions in the new housing market. Households' funds in bank accounts continued to grow.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. After certain foreign brands exited the Russian market, the output of cars plummeted in the Central Federal District, but a number of companies were able to relaunch the production and commission new manufacturing facilities. The demand for domestic tourism contributed to the expansion of the hospitality industry and higher demand for rail trips between the capital and certain regions. The packaging materials industry is experiencing a surplus of cardboard due to the commissioning of new facilities and a contraction of exports. Contrastingly, there is a shortage of other types of packaging materials.

NORTH-WESTERN MAIN BRANCH. Growing demand for import-substituting products contributed to an increase in the output of chemicals and pharmaceuticals. Ferrous metallurgy enterprises continued to expand their range of products supplied to the domestic market. The development of tourism infrastructure and better transport accessibility in the macro-region supported growth in the tourist flow during the New Year holidays.

VOLGA-VYATKA MAIN BRANCH. Investment goods manufacturers significantly ramped up their output at the end of the year. Russian companies demonstrated elevated demand for equipment for the agroindustrial complex, transportation, and oil and gas production. A large auto group resumed commercial vehicle assembly and relaunched the manufacture of engines in the conditions of a shortage of foreign products. The expansion of the domestic tourism industry increased occupancy rates at hotels and the demand for excursions.

SOUTHERN MAIN BRANCH. Consumer activity declined somewhat, while staying higher than across Russia in general. The tourist flow to the Krasnodar Territory and some republics of the North Caucasus increased during the New Year holidays. According to agricultural enterprises in the Southern macro-region, they have sufficient quantities of seed for the sowing campaign. Seed breeders continued to ramp up their production capacities. As mining companies adjust to the new conditions and the domestic demand for commodities grows, some of them expect an increase in output in 2023.

URAL MAIN BRANCH. Amid an increase in the state order and the demand for import-substituting products, machine-building enterprises reached the full utilisation of their production capacities, ramped up output and created new jobs. Oil producers maintained the level of their output. Consumer activity remained subdued.

SIBERIAN MAIN BRANCH. An easing of the sanctions on coal exports to the EU made it possible to ramp up the output and exports. Non-ferrous metal companies retained their sales markets, which supports the output of the main industrial metals. The focus on the domestic market and the commissioning of new production capacities contributed to the expansion of output at the macro-region's oil refineries.

FAR EASTERN MAIN BRANCH. The utilisation rates of Far Eastern ports remained very high. Transport companies expanded their cargo and container fleets. Some Russian–Chinese border crossing points resumed their operation. Traffic along the international automobile bridge to China was up. Oil production at a shelf project on Sakhalin restored.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2022	100	34	11	12	14	13	11	5
Inflation	% YoY	Dec22	11.9	12.5	11.9	12.4	11.7	11.0	12.7	11.9
Core inflation	% YoY	Dec22	14.3	14.9	14.7	14.7	14.4	12.4	14.2	14.0
Industrial production	3MMA, % YoY	Nov22	-2.5	5.2	-3.1	-1.5	3.7	-1.9	-0.9	-11.4
Fixed capital investment	Cumulative, % YoY	2022 Q3	5.9	1.2	-3.6	6.0	3.9	9.1	6.1	9.7
Construction	3MMA, % YoY	Nov22	8.0	11.2	-13.7	18.7	9.6	-2.1	10.8	18.5
Housing commissioning	3MMA, % YoY	Dec22	-21.3	-21.8	-8.6	-31.5	-20.2	-13.2	-39.7	-6.6
Retail	3MMA, % YoY	Nov22	-9.4	-12.4	-12.2	-3.9	-3.7	-8.5	-5.9	-3.0
Commercial services	3MMA, % YoY	Nov22	1.5	1.1	2.0	0.8	1.2	1.9	4.9	0.1
Real wages	3MMA, % YoY	2022 Q3	-2.0	-4.8	-2.6	-1.3	-2.2	2.4	0.8	-3.6
Real disposable income	% YoY	2022 Q3	-2.4	-4.1	-3.8	-3.3	-1.7	-1.6	-2.3	-3.1
Unemployment	SA, %	Nov22	3.8	2.9	3.5	3.1	6.2	3.1	4.4	3.7
Outstanding consumer loans ²	% YoY	Dec22	2.5	2.8	1.8	1.2	3.1	1.6	3.7	3.7
Outstanding mortgage loans	% YoY	Dec22	17.6	16.9	15.2	15.4	24.9	16.5	17.3	23.3
Funds in escrow accounts	% YoY	Dec22	32.7	39.6	32.4	11.6	25.1	21.9	25.0	34.0
Non-financial organisations' outstanding bank loans	% YoY	Nov22	18.1	13.2	41.2	12.6	30.2	19.4	17.7	14.4
• Large borrowers	% YoY	Nov22	15.5	10.4	39.5	9.2	27.5	18.0	13.7	14.5
• SMEs	% YoY	Nov22	31.2	30.9	49.5	21.8	36.6	27.7	30.7	13.9
Companies' price expectations ³	Balance of responses, SA	Jan23	17.6	18.8	18.4	19.9	15.9	18.0	17.1	17.6
Business Climate Index	pp YoY	Jan23	-2.4	-3.5	-8.3	-1.1	-0.7	-1.7	-0.2	-1.0
• Current estimates	pp YoY	Jan23	-2.3	-3.0	-7.3	-0.7	-1.8	-1.8	0.5	-4.5
• Expectations	pp YoY	Jan23	-2.4	-4.0	-9.2	-1.5	0.3	-1.7	-0.9	2.3

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

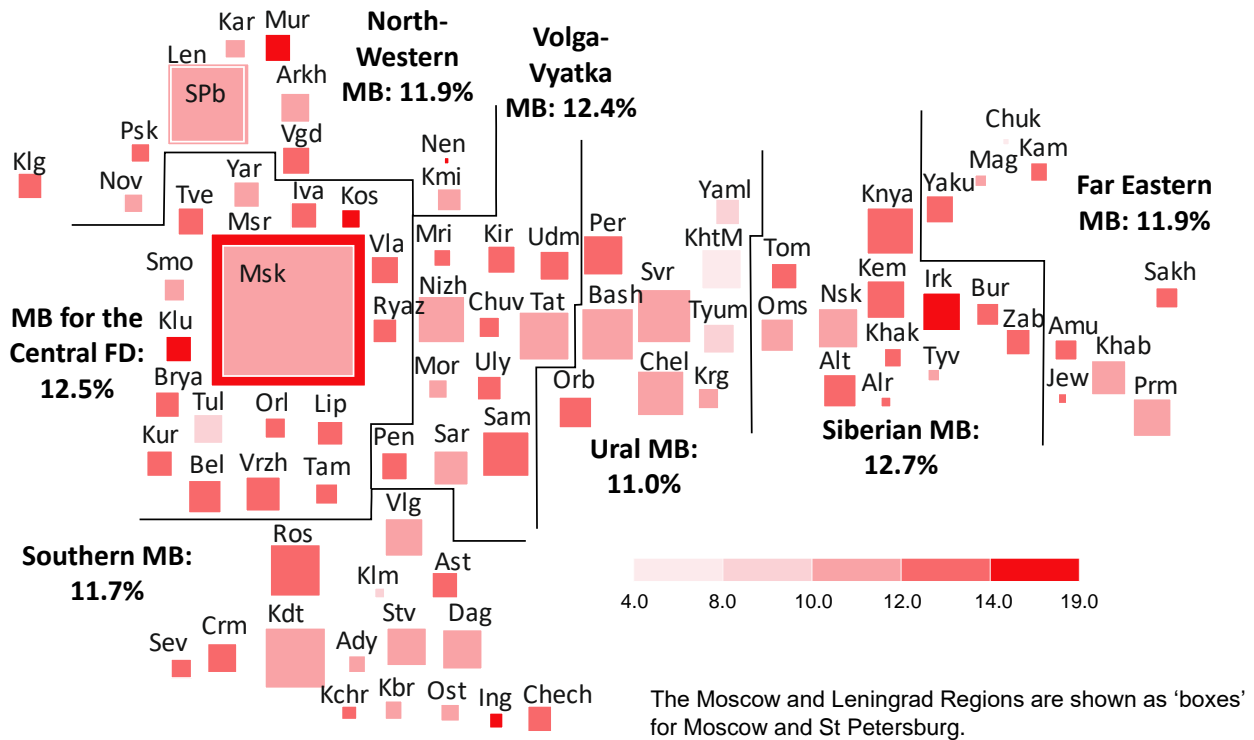
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by 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 December 2022, % on the same month last year

The sizes of the regions' signs correspond to their percentages in the Russian CPI.



Note, the lines on the map divide the regions of operation of the Bank of Russia MBs.
 Inflation rates for the new Russian regions are currently not calculated yet.
 Source: Rosstat.

Ady	Republic of Adygeya	Kmi	Komi Republic	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 (excl. Autonom. 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 (excl. Autonom. 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	Yaml	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

The decline in consumer activity was still considerable in December 2022. In January 2023, consumer activity revived. Higher demand for domestic tourism boosted the expansion of the hospitality industry and supported the level of the passenger flow. The growth of consumer prices sped up due to the unscheduled indexation of utility tariffs. Companies' price expectations decreased for the first time over the last four months. Corporate lending was expanding fast. A number of vehicle manufacturers commissioned upgraded production lines and resumed their operation after the suspension in 2022 H1.

CONSUMPTION AND INCOMES. The annual decline in consumer activity remained notable in December 2022. At the beginning of January 2023, consumer activity revived, although stayed below the level of January 2022. Nevertheless, households' purchases were less diverse than a year before. During the New Year holidays, Central Russia recorded an increase in hospitality services, in annualised terms, which was owing to the growth of domestic tourism, among other factors. There was a rise in the number of guests in Moscow and the Vladimir, Kaluga, Tula and Tver Regions that were among the ten most popular Russian destinations during the New Year holidays in 2023. Sales in the entertainment industry in Moscow exceeded last year's figure by a fourth.

PRICES. In December, the monthly (seasonally adjusted) growth of consumer prices in the macro-region sped up due to the unscheduled indexation of utility tariffs and more expensive communication services. Excluding the indexation, price growth was negligible. December recorded a decline in prices for a number of food products, which was owing to the good harvest of 2022. According to Rosstat's weekly statistics, price growth rates in January 2023 were close to the levels of November 2022. Companies in Central Russia lowered their price expectations after their increase observed during September–December. These changes were reported by manufacturing, trade, transport and storage companies.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth of corporate lending accelerated in November. To purchase real estate for the commissioning of new production facilities, some enterprises have already raised loans under the government programme of industrial mortgages. For example, a Moscow Region manufacturer of supports and metal structures for outdoor lighting lines will use such a loan to expand its production capacities. As to mortgage lending, the number of transactions in the new housing market increased in November–December, which was because borrowers expected the government subsidised mortgage lending programme to terminate at the end of 2022, as well as owing to discounts from Moscow developers. Consumer activity was expanding more slowly overall due to banks' conservative policies. The percentage of overdue retail loans remained low, which was because banks preserved a strict system of credit scoring for borrowers and households demonstrated high demand for loan restructuring. The demand for car loans was limited due to a shortage of cars that would meet consumers' value for money requirements. In November–December, households' funds with banks increased mostly

owing to the inflow of ruble funds into current accounts. There was a rise in the amount of time deposits, which was driven by higher interest rates.

CAR MANUFACTURE. Over January–November, the output of cars in Central Russia plummeted more than threefold in annualised terms due to the suspension of operations by vehicle manufacturers in March–April 2022 and the exit of certain foreign brands from the Russian market. Nonetheless, some companies managed not only to resume the manufacture of vehicles, but also to launch new facilities. In particular, the Lipetsk Region commissioned a new plant in September. By the end of 2022, it manufactured over 1,700 electric cars based on Asian models. An automobile plant in the Tula Region manufacturing Asian brand vehicles since 2019 continues the localisation of its production facilities, accomplishing an investment project for manufacturing internal combustion engines. In addition, the automobile plant signed a contract for component supplies with a Moscow manufacturer of body parts for cars and commercial vehicles opened in December 2022. At the end of November, an automobile plant in Moscow resumed its operation and plans to manufacture 50,000 vehicles based on Asian models in 2023.

PASSENGER TRANSPORT. Growth in domestic tourism supported passenger transportation in 2022. Government subsidies helped airlines to refocus on domestic flights. In summer 2022, the tourist flow in the Moscow Region nearly doubled year-on-year. There was an increase in the passenger flow on a new railway route between the capital and the Kostroma Region. Despite the restrictions on international flights, the Moscow airports remained the leaders in terms of the overall passenger flow at the end of 2022, although their traffic declined year-on-year. During the New Year holidays, the demand for trains from the South of Russia to Moscow and from Moscow to Kislovodsk and Saint Petersburg exceeded last year's figures. The demand for domestic tourism boosts the development of river transport. In 2023, Moscow plans to commission eco-friendly electric water buses along the Moscow River, and Kostroma and Nizhny Novgorod will launch river transportation between the two cities.

PAPER AND CARDBOARD PRODUCTION. Enterprises in Central Russia account for 15% of the total domestic output of paper and cardboard, ranking third in the country. Over January–November 2022, the output in the macro-region edged down by 2.4% year-on-year. Containerboard, with a large share of recycled containerboard, makes three-fourths of the output. High demand for cardboard containers is associated with a high concentration of trade, industrial and logistics facilities in the macro-region. Currently, there is a surplus in the containerboard market, which is explained by, among other things, the completion of earlier launched projects for the construction of production facilities, the closure of the European export market, and an overall reduction in sales. The industry still experiences difficulties with supplying sufficient quantities of imported components and chemicals to production facilities. The redirection of equipment purchases and end product exports to Asia, the CIS, and the Middle East is the priority. Concurrently, there is a shortage of high-tech paper and cardboard (filter board, linear board, and insole board) that were previously imported. According to experts, to maintain their margins and positions in the domestic market, enterprises seek to vertically integrate their facilities in order to have fully integrated production – from cardboard to ready-to-use packaging.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH

In December 2022–early January 2023, consumer activity in the macro-region remained subdued. Higher demand for import-substituting products boosted the output of chemicals and pharmaceuticals. Ferrous metallurgy enterprises are refocusing on the domestic market and expanding their range of products. The North-Western regions remained a popular tourist destination during the New Year holidays.

CONSUMPTION AND INCOMES. In December 2022 and at the beginning of January 2023, consumer activity in the North-West remained below last year's figures. The annual decline in sales of new cars in December was more considerable than in November. During the New Year holidays, Saint Petersburg shopping malls recorded a decline in traffic year-on-year. Contrastingly, traffic in the city museums, theatres, and other cultural organisations increased, driven by a larger tourist flow, among other things.

PRICES. In December, annual inflation in the North-West slowed down to 11.9%. Price growth was constrained because of lower consumer demand and expanded food supply. According to weekly statistics, these factors continued to influence prices in early January as well. As a result, prices for a number of food products (including pastas, cereals, eggs, and sugar), cars, and sawn lumber edged down. The macro-region's companies lowered their price expectations in January. These trends were recorded in agriculture, trade, and industrial production and were partly associated with lower estimates of expected demand.

MONETARY CONDITIONS AND BANKING SECTOR. The expansion of corporate lending slowed down slightly in November, after its surge in the previous month, predominantly in trade and real estate. Nevertheless, the growth rate of the corporate portfolio still surpassed the Russian average. This increase was mostly driven by large borrowers, which was connected with the implementation of investment projects in the macro-region, among other reasons. Mortgage lending revived in December, with the amount of issued loans growing primarily due to subsidised loans for new housing. Banks and developers recorded a rise in demand, which was because borrowers expected a possible termination of the subsidised mortgage lending programme and changes in its terms from January 2023. The inflow of households' funds into current accounts and time deposits with credit institutions continued in December.

CHEMICALS AND PHARMACEUTICALS. An increase in the output of chemicals was driven by growing demand for import-substituting products. In 2022 Q4, a manufacturer of industrial paints and coatings in the Leningrad Region managed to substitute foreign anti-corrosion coatings for oil and gas pipelines. The Pskov Region commissioned a high-tech enterprise to manufacture modern PET film. The company expects that, when it reaches its design capacity, it will be able to fully meet the needs of domestic manufacturers in the food industry, machine building, the manufacture of medical goods, and other sectors. A leading fertiliser manufacturer in the North-West, despite volatility in external markets, managed to ramp up its output by upgrading its facilities and launching new ones.

Besides, it plans a large-scale investment programme to expand the production of phosphate fertilisers. The pharmaceutical industry also expanded the production. One of Saint Petersburg companies continued to develop new products and launch them in the market. Currently, it is implementing an investment project for the construction of the second stage of a pharmaceutical plant. Another large pharmaceutical enterprise launched the manufacture of a new antihistamine (previously, its alternatives had been imported) and ramped up the output of pharmaceutical substances at its subsidiary. The Kaliningrad Region plans to commission a new pharmaceutical plant in 2023 Q1.

METALLURGY. Trends in the output of ferrous and non-ferrous metals remained diverse. The imposed sanctions caused a contraction in ferrous metal production. Due to low profitability, companies are still facing difficulties with the redirection of exports from the West to the East. To enhance the cooperation among domestic market participants and develop the industry, a large enterprise of the macro-region launched a marketplace in 2022 Q4 to sell rolled metal there. Developing the partnership with domestic consumers, companies are expanding their product ranges, among other things. Specifically, a large company started industrial supplies of metals to manufacturers of oil well drilling equipment and plans to produce steel sunflower oil containers under the order from a Russian enterprise. A Saint Petersburg plant commissioned a new facility to produce intermediates for shipbuilding and the power industry using domestic raw materials. The output of non-ferrous metals expanded in the macro-region. In order to arrange new logistics routes, a large enterprise in the industry is testing the option of product transportation along the Northern Sea Route.

TOURISM. During the New Year holidays, the demand for domestic tourism was up year-on-year, driven by the development of tourism infrastructure and better transport accessibility. A number of regions launched special tourist trains. In addition to the tourist trains, Veliky Ustyug (the Vologda Region) reopened the airport at the end of last year, after its reconstruction. Saint Petersburg that was among the three tourism leaders during the New Year holidays offered new city tourist routes. Over 2022 in general, the tourist flow in most regions of the North-West (except the Kaliningrad Region) surpassed last year's figures as well. The number of tourists in Saint Petersburg increased by a third over the year, despite a slump in the number of foreign guests. In 2023, the city plans to expand its efforts aimed at attracting tourists from CIS countries and from Eastern and Asian regions. Hotels in the Republic of Karelia record high occupancy rates, due to which the region plans to continue the construction of modular hotels. Some of such hotels already accommodated tourists during the New Year holidays.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH

In December 2022–early January 2023, the macro-region recorded a moderate rise in economic activity. As regards the consumer segment, services demonstrated the most positive trends. In particular, the demand for domestic tourism notably increased. Industrial output was supported by a notable expansion of the output of investment goods, including those meant for substituting machinery and equipment in various industries.

CONSUMPTION AND INCOMES. By the end of the year, consumer activity dynamics improved somewhat, although varying across regions and product groups. Regional dealers reported a slight increase in the sales of new domestic cars. Individual car showrooms recorded higher demand for used cars. However, the demand for cars of the brands that had exited the Russian market which were supplied to the country through parallel imports was weak due to high prices. The demand for electronic devices and household appliances expectedly rose in many regions by the New Year holidays, while staying below last year's levels. As reported by sellers, they had not yet restored their earlier product range through parallel imports, whereas buyers were searching for familiar brands and purchasing the remainders. In December–January, shopping mall traffic and the demand for New Year presents were lower in many regions year-on-year. Some traffic malls recorded higher traffic, as compared to the previous year, but this did not increase non-food retailers' profit as customers mostly visited food stores and the zone of food courts and entertainments. The situation in services was assessed by companies more positively. Occupancy rates at restaurants in December and during the New Year holidays were high in many regions. The demand for repairs of cars, equipment and clothing was up. Cinemas recorded an increase in the number of visitors.

PRICES. Annual inflation sped up in December, although this was caused by a one-off factor, namely the indexation of utility tariffs. Excluding this factor, seasonally adjusted monthly growth rates declined. Prices continued to adjust in a number of categories, including electronic devices and household appliances, construction materials, and furniture. Furthermore, there was a decrease in prices for foreign tourism services and for some food products. Medicines became more expensive in December, which was associated with higher demand due to a spike in influenza and acute respiratory infection cases, on the one hand, and logistics problems of medicine suppliers and manufacturers, on the other hand. Retailers' price expectations changed only slightly in December–January, staying below the level of October–November.

MONETARY CONDITIONS AND BANKING SECTOR. Annual growth in corporate lending sped up again in November. However, according to the monitoring of businesses, lending conditions worsened somewhat in January. The monthly increase in household deposits accelerated in December. After the recovery growth in November, the expansion of consumer lending slowed down again in December, which was partially caused by higher average interest rates on consumer loans. Nevertheless, according to the survey, banks became more optimistic about the demand for such loans expected in the next six months. The growth rate of mortgage lending in December remained nearly the same as at the beginning of 2022. The steady expansion of the mortgage portfolio was associated with, among other things, the uncertainty that then existed about the extension of the government subsidised

lending programme for new housing and about changes in its terms beginning from 2023. The amount of mortgage loans issued in December hit a record high since the launch of the programme.

INVESTMENT GOODS OUTPUT. At the end of 2022, the expansion of investment goods output accelerated significantly, supporting the industrial sector. This trend was largely driven by the refocusing of the economy on domestic products as a result of a decrease in foreign supplies. Companies in various regions reported higher demand for equipment for the agroindustrial complex, transportation, and oil and gas production. Specifically, an agricultural equipment manufacturer received a larger number of orders for self-propelled fertiliser spreaders. An enterprise producing oil and gas analysers reported high utilisation rates of its production capacities. A pipeline fittings manufacturer plans to switch to a two-shift mode due to an increase in orders and, therefore, was actively recruiting workers. In addition, businesses expanded their product ranges. Specifically, Udmurtia started to manufacture new oil production equipment to substitute foreign alternatives, and the Chuvash Republic launched the manufacture of catering equipment for trains.

AUTOMOBILE INDUSTRY. Although both output and sales in the industry remained decreased overall, companies continued to gradually adjust to the new conditions in recent months. In particular, in December 2022, the segment of cars and light commercial vehicles increased sales of domestic cars and vehicles made in Volga-Vyatka, with their share in the market in general exceeding two-thirds for the first time on record. To meet the market demand, an auto group prolonged its six-day work scheme until the end of February. Besides, a large automobile plant that had suspended its operations in March 2022 resumed the manufacture of commercial vehicles at the end of November 2022. Furthermore, in January 2023, the company relaunched the production of engines in one of Volga-Vyatka regions. The production of these engines had been paused at the end of 2021 due to low demand amid the supply of affordable foreign alternatives.

TOURISM. During the New Year holidays in 2023, the tourist flow in Volga-Vyatka increased by over 20% on average, as compared to the same period in 2022. Occupancy rates at most accommodation facilities also exceeded last year's figures, reaching the maximum level on certain days. According to tour operators, the demand for travels and excursions in the Saratov Region surged by 20%. Some travel agencies reported a twofold growth in domestic tourism sales. The Kirov Region recorded a 30% rise in the number of museum visitors, and Udmurtia – a 20% increase in the number of ski resort clients from other regions. The development of tourist infrastructure also boosts the demand for travels across Volga-Vyatka regions. In January 2023, the number of accommodation facilities edged up by 2% year-on-year. Specifically, Udmurtia opened several new modular hotels, and the Ulyanovsk Region – a hotel complex.

BANK OF RUSSIA SOUTHERN MAIN BRANCH

Economic activity in the South revived somewhat in December 2022–January 2023. Companies became more optimistic about current and expected demand. Businesses' price expectations decreased in almost all industries, except construction, transportation, and storage. Consumer activity slightly weakened, while staying above the Russian average. The tourist flow at ski resorts of the North Caucasus continued to grow. Agricultural enterprises have sufficient seed quantities for the 2023 sowing campaign and are gradually refocusing on domestic seed production. A number of mining and quarrying companies in the South plan to ramp up output.

CONSUMPTION AND INCOMES. In December–January, consumer activity declined somewhat, although stayed above the Russian average. Retailers in the Stavropol Territory and the Volgograd Region reported that consumer demand shifted towards low-price goods and special offerings. According to recent surveys, two-thirds of the macro-region's organisations intend to raise wages in 2023. This is associated with both scheduled indexations and higher demand for qualified specialists who are expected to promote the adaptation of businesses to the new conditions. Thus, amid the expansion of the economic cooperation with Asian countries, a large retailer in the Krasnodar Territory and an agricultural machinery manufacturer in the Rostov Region were hiring additional procurement specialists with wages exceeding the averages across Russian regions.

PRICES. In December, annual inflation in the South remained almost unchanged month-on-month at 11.7%. On the one hand, the increase in utility tariffs was a proinflationary factor. On the other hand, the growth of food prices slowed down due to expanded supply, which had a disinflationary effect. For example, the Republic of Crimea commissioned a meat processing factory in December, and its products are already supplied to the market. Companies lowered their price expectations, especially in services and manufacturing.

MONETARY CONDITIONS AND BANKING SECTOR. In December 2022, credit activity in the macro-region's corporate sector was up, with interest rates edging down slightly, as reported by banks. SME lending, as before, was driven by subsidised loans. Credit institutions expected the demand for corporate loans to be moderate in January–February. According to banks, households' demand for loans rose somewhat in December, predominantly in the consumer segment. Interest rates on retail loans edged up slightly due to a higher risk premium. Nevertheless, some market participants reported better lending conditions, namely a reduction in insurance rates in the consumer segment.

Households' demand for savings with banks remained unchanged in December, especially for current account replenishments and short-term deposits. This significantly accelerated the annual increase in the overall amount of funds of the macro-region's households placed with banks.

SEED PRODUCTION. Most agricultural enterprises in the macro-region have sufficient quantities of domestic and foreign seed for the 2023 sowing campaign. Businesses are still highly dependent on imported corn, sunflower, sugar beet, potato and vegetable seeds, especially greenhouse vegetable seeds. Regions are actively expanding their own production capacities. The Stavropol Territory and the Rostov Region planted and tested domestic corn and sunflower hybrids that have a similar yielding capacity as that of foreign varieties, and the output already meets the needs of a number of Southern regions. The Krasnodar Territory established sugar beet seed production plots based on farms and a breeding and experimental station. In the future, this will provide sufficient seed quantities for a half of the crop areas in the macro-region allocated for sugar beets.

MINING AND QUARRYING. According to surveys, mining and quarrying enterprises' business activity declined in January due to more pessimistic estimates of current demand. Thus, a number of companies in the Rostov Region complained about a reduction in coal shipments associated with the termination of purchases by European countries and challenging mining and geological conditions at some operating pits. Nevertheless, a number of mining and quarrying enterprises in the South expect an increase in output in 2023 as they adjust to the new conditions. The Volgograd Region continued tunnelling at a large potassium salt deposit and the construction of an ore mining and processing complex.

TOURISM. The tourist flow during the New Year holidays remained unchanged year-on-year. As usual, tourists demonstrated high demand for mountain resorts, although the dynamics of the tourist flow varied across regions. Ski resorts in the Karachay-Cherkess and Kabardino-Balkar Republics reported a slight increase in the number of tourists during the New Year holidays, as compared to the previous year, with occupancy rates in a number of hotels reaching 100%. Due to an insufficient snow depth, the mountain cluster of Sochi had to close a part of pistes, as a result of which the tourist flow was 12% lower year-on-year. Overall, the Krasnodar Territory reported a 2% increase in the number of tourists, as compared to 2021, owing to higher demand for holidays in the coastal cluster. According to tourism companies, the number of early reservations for the remaining part of the winter season is slightly lower year-on-year.

BANK OF RUSSIA URAL MAIN BRANCH

Consumer activity in the macro-region remained subdued in December 2022–January 2023. Oil output remained unchanged. As a result of higher demand, including because of an increase in the state order, machine-building enterprises in the Urals reached the full utilisation of their production capacities, commissioned new production facilities, and created new jobs.

CONSUMPTION AND INCOMES. In December 2022–early January 2023, households in most regions of the Urals preferred to save. Consumers' priority was food products and basic goods. Moreover, spending in supermarkets during the week before the New Year was lower than a year before. In January, this spending resumed growth, just as expenses for tourism services, cinemas, and restaurants. However, consumer spending in other product and service groups remained lower year-on-year. The absolute majority of Ural enterprises surveyed by the Bank of Russia plan wage indexations. Unemployment was at its record low, with the number of vacant jobs staying steady.

PRICES. In December, annual inflation in the Urals remained almost unchanged month-on-month at 11.0%. On the one hand, the rescheduling of the indexation of utility tariffs from July 2023 to December 2022 accelerated the increase in prices for services in general. On the other hand, the growth of food and non-food prices slowed down. Businesses' price expectations remained elevated in December–January.

MONETARY CONDITIONS AND BANKING SECTOR. According to recent data, credit activity in the corporate segment was high in December, mostly driven by the demand for new loans from oil and gas, metallurgical, retail, pharmaceutical and healthcare companies. They raised loans predominantly to finance their current operations. Individuals' credit activity decreased somewhat, mostly because of weaker demand for consumer loans. However, the demand for mortgage loans surged due to concerns about the termination of the government subsidised mortgage lending programme. The demand remained elevated until the government announced the extension of the programme. As a result, the amount of subsidised loans issued in December hit a record high since the launch of the government programme. Households' propensity to save funds in current accounts intensified in December.

OIL PRODUCTION, TRANSPORTATION AND EXPORT. Large oil producers maintained their output levels in December–January, despite the external price caps that were imposed. Certain oil production companies were able to ramp up their output over 2022 in general. However, in December, enterprises complained about a decline in oil prices, which was coupled with a rise in oil production costs. Amid the external restrictions on oil exports, companies reported higher logistics costs due to the redirection of cargo traffic to countries not supporting the restrictions. Besides, they had to face risks associated with changes in insurance schemes and high discounts. A number of oil producers decided not to cut funding for their investment programmes in 2023.

GAS PRODUCTION, TRANSPORTATION AND EXPORT. According to large export-oriented gas producers in the Urals, gas output stabilised in 2022 Q4, after its decline in the previous two quarters. Contrastingly, the output of liquefied natural gas (LNG) continued to expand, which became possible owing to the commissioning of a new production line at an LNG plant, among other factors. LNG exports increased, whereas Yamal pipeline gas shipments abroad contracted.

MACHINE BUILDING. Amid an increase in the state order and the output of import-substituting products, Ural machine-building enterprises reached the full utilisation of their production capacities, commissioned new production facilities, and created new jobs. Besides, companies largely refocused on the domestic market and friendly countries' markets. This was partially promoted by the state order terms setting the requirements for the use of domestic components and equipment. At the end of 2022, special machinery manufacturers in the Urals commissioned a number of import-substituting facilities to produce automobile pumps, hydrostatic transmission systems for truck mixers, air suspensions, container locks, and axles. A plant in Chelyabinsk continued the implementation of its investment programme launched last year to upgrade and expand its production capacities in order to ramp up output in 2023. Within this programme, the enterprise is going to launch the production of drive axles and front axles for heavy trucks in 2023. In addition, the Republic of Bashkortostan plans to commission the production of traction transformers for locomotives in 2023.

BANK OF RUSSIA SIBERIAN MAIN BRANCH

Economic activity in Siberia in December 2022–January 2023 remained at the same level as in autumn. The export of Siberian coal decreased due to the sanctions and transportation restrictions, but this decline became slower. Industrial metal producers retained their sales markets and even expanded their output compared to the previous year. A Siberian oil refinery focused on the domestic market ramped up its output owing to new production capacities. Consumer activity remained subdued.

CONSUMPTION AND INCOMES. New Year discounts and sales had a weaker effect on the demand for durable goods than a year before. Contrastingly, households' demand for most services (tourism, entertainments, transportation) was high. During the New Year holidays, Novosibirsk was announced the New Year's Capital of Russia, as a result of which large hotels reported a surge in reservations and local guides were booked for the entire holidays. There was an increase in the tourist flow to Altai, and airlines launched additional flights. Occupancy rates at cinemas reached the maximum. A shortage of engineering and technical personnel and low-skilled workers in the Siberian labour market supports the rise in wages in these categories. 39% of Siberian companies surveyed by the Bank of Russia plan 5–10% wage indexations. Nevertheless, a reduction in the overall demand for personnel reported by employment agencies suggests an optimisation of business processes.

PRICES. Annual inflation remained unchanged in December at 12.7%, as compared to November. The further slowdown of the annual increase in goods prices was offset by the indexation of utility tariffs. A record-high grain harvest and the expansion of livestock breeding capacities decelerated the growth of prices for meat products, milk, butter, pastas, and cereals. The establishment of parallel imports and the expansion of domestic production facilities contributed to the slowdown of non-food price growth. Sellers of construction materials reported lower prices. According to the survey, companies' short-term price expectations were up because of higher prices for raw materials and components and increased utility tariffs. Thus, greenhouse vegetable producers plan to raise prices due to higher greenhouse heating costs. Auto dealers also plan to increase prices because of more expensive spare parts and components purchased through Asian suppliers.

MONETARY CONDITIONS AND BANKING SECTOR. Businesses demonstrated stable demand for bank loans in December. Some corporate clients repaid their loans ahead of schedule after they received payments under state contracts. Banks assessed the situation with deposits and balances in corporate accounts as stable without an outflow of funds. Retail lending continued to bounce back at the end of 2022. Households still prefer to save, and the inflow of funds into deposits continued in December, including owing to higher interest rates.

COAL MINING. In December 2022–January 2023, the situation at Siberian coal enterprises was affected by the sanctions enacted against Russia and limited opportunities for coal transportation. However, an easing of the EU restrictions on Russian coal transportation made it possible to ramp up output and exports. In December, coal output expanded by 7% compared to November, and coal exports from Kuzbass – by 2%. The industry was also supported by a rise in domestic consumption, with coal supplies to energy companies growing by a fourth. Rising costs for coal exports to Asian

markets are becoming one of the main problems for Siberian coal producers facing increased costs for vessel chartering and insurance services and higher rail transportation rates. Supplies to Asia via Southern and North-Western seaports are already at the edge of profitability. Nevertheless, companies continue exports to comply with contract deadlines and retain new clients. Besides, in 2021 and 2022 H1, large enterprises accumulated reserves owing to high coal prices, which now enables them to avoid a considerable reduction in their production programmes.

NON-FERROUS METALLURGY. Siberian industrial metal enterprises completed the year 2022 without any losses in output or investment. Metal companies managed to retain their sales markets and ramped up their output. However, Siberian producers assume that their output might contract in 2023 (by up to 10% for certain items) due to a global surplus of industrial metals and the refusal of some European companies to purchase metal products in Russia. Industrial metal producers continued to finance all their key investment projects. Specifically, as of the end of 2022, a large Siberian metallurgical company reached a record-high amount of investment which doubled compared to 2021.

OIL REFINING. Siberian refineries mostly supply their petroleum products to the Siberian and Far Eastern market. In November, the output of motor petrol and diesel fuel in Siberia increased by 19% and 20% in annualised terms, respectively. Large refineries, being part of vertically integrated holding companies, account for over a half of the Siberian output of petroleum products. In December 2022–January 2023, representatives of these plants noted that the increase in the output of petroleum products was mostly driven by the large-scale modernisation of their production facilities. As they complete the upgrade, the utilisation rates of their capacities are rising. Specifically, in December 2022, a large Siberian refinery completed a flagship project of the Siberian oil refining industry: a complex for advanced oil refining that considerably increased the output of light petroleum products, including petrol, diesel fuel, and kerosene. According to an independent regional oil refinery, the expansion of output was also driven by the commissioning of a new complex for the production of Euro-5 diesel fuel. As crude supply in the domestic market was up, the refinery managed to restore its output at its previously idle facilities.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH

Consumer demand in the macro-region remained moderate in December 2022–January 2023. Consumer activity on the eve of the New Year was weaker year-on-year. Oil output and supplies to Asia continued to restore. Gas supplies to Asia-Pacific countries exceeded the targets owing to high demand and infrastructure development. Despite an increase in railway container transportation, seaport utilisation rates remained high. Companies expanded their cargo and container fleets.

CONSUMPTION AND INCOMES. In December 2022–January 2023, consumer activity in the macro-region remained subdued. According to retailers, demand on the eve of the New Year was lower year-on-year in both the food and non-food segments. A regional seller of perfumes, cosmetics and household chemicals complained that sales in all product groups plummeted in December year-on-year. Public catering enterprises reported a decline in demand, including due to cancellations of New Year corporate events. Contrastingly, the demand for foreign tourism services bounced back owing to the flights launched to a number of Asian countries. However, travel agencies noted a considerable reduction in tour reservations as compared to the pre-pandemic period. Tourist centres and ski resorts in the Primorye and Khabarovsk Territories recorded higher demand in December–January, as compared to the same periods of previous years. The number of visitors at cinemas during the New Year holidays was up year-on-year. According to the survey, businesses in retail and services became less positive in January about demand expected in the next three months, as compared to December.

PRICES. Annual inflation in the macro-region edged up in December, compared to the previous month, reaching 11.9%. This was caused by the rescheduling of the indexation of utility tariffs. As demand was subdued, the decrease in prices (seasonally adjusted) for a number of durable goods, including household appliances, computers, and communication devices, continued. The weakening of the ruble accelerated the growth of prices for imported used cars in the Primorye Territory. A construction company reported a rise in prices for construction materials due to more expensive logistics. As the supply of raw materials in agricultural regions expanded, this caused a slowdown in the seasonally adjusted growth of prices for meat products, confectioneries, and bakery products and a decrease in prices for pastas, cereals, and sugar. An increase in imports from China contributed to the decline in fruit and vegetable prices. Companies' price expectations went up in January. The proportion of enterprises planning to raise prices in the next three months increased, most notably – in the mining and quarrying sector and in services.

MONETARY CONDITIONS AND BANKING SECTOR. Companies' credit activity remained high in November, and the annual growth of corporate lending sped up. According to banks, corporate and retail lending continued to expand in December–January and the demand for mortgage loans surged after its decline in autumn. Despite higher interest rates, banks estimated mortgage lending conditions as neutral. A regional credit institution reported a record-high amount of mortgage loans issued in December, which exceeded the level of 2021. As compared to October–November, the percentage of loans for new housing and for individual housing construction rose significantly, driven

by the implementation of government subsidised programmes. The annual growth of household deposits sped up in December, which was due to higher balances in current accounts. Banks reported low demand for deposits in Chinese yuan, despite higher interest rates.

LOGISTICS. In December, railway container transportation in the macro-region increased by a fourth year-on-year. The number of trains transporting containers in open wagons was up by a third, compared to November. The number of containers loaded during a day hit record highs several times in December. As a result, the queue of imported cargoes decreased by a fourth month-on-month. In 2023, the discount for container shipments from seaports in open wagons was extended and the additional container trains will continue to operate. Seaports' utilisation rates remained high in December–January. A large seaport paused the acceptance of applications for hazardous liquid cargo transportation due to a shortage of warehouse facilities. Vladivostok commissioned a new facility for temporary storage of motor vehicles, which increased the warehouse capacities by a third. Companies expanded their cargo and container fleets. To increase cabotage, a large transportation company added a new container carrier to its fleet. Another large enterprise purchased several ships in Asia at the end of the year. One of the companies increased its container fleet by a third over the year. Logistics enterprises expect that cargo traffic will continue to expand as the anti-coronavirus restrictions at Russian–Chinese border crossing points are lifted. At the beginning of January 2023, the pontoon bridge in the Jewish Autonomous Area was reopened for the first time over the last three years; road transportation between the Khabarovsk Territory and China was restored. The border crossing point on the bridge in the Amur Region started to operate on a 24/7 basis, as a result of which traffic surged 1.5 times as compared to December 2022.

OIL PRODUCTION, TRANSPORTATION AND EXPORT. One of the shelf projects on Sakhalin restored production in December–January. In the near future, it plans to increase its daily output to last year's levels. Another shelf project reported stable demand. However, oil output in the region plummeted by more than 40% over the year.

GAS PRODUCTION, TRANSPORTATION AND EXPORT. In January, the macro-region's largest gas project supplied LNG to Asia-Pacific countries in accordance with its output targets at market prices. As of the end of the year, output at the project exceeded the targets by 15%. In December, gas supplies from a field in Yakutia through the Power of Siberia pipeline surpassed the daily level stipulated by contracts. The increase in supplies became possible owing to the commissioning of four new compressor stations, as well as the development of receiving infrastructure and higher demand in China that rose because prices under long-term contracts were lower than those in the spot market.

BOX 1

REGIONAL AND SECTORAL LABOUR MARKETS

The structural transformation of the economy continued in 2022 Q2, causing diverse trends in the labour market.⁴ In the industries hardest hit by the sanctions, companies facing output decreases introduced part-time employment schemes and planned staff reductions. In addition, as a result of migration and a natural population decline, the number of workers was down. Staff shortages became more acute in a number of industries, especially at high technology enterprises. Accordingly, the number of the unemployed was decreasing faster than the workforce. Unemployment dropped to its record low. As a result of higher competition for workers, real wages edged up.

The sanctions enacted against Russia caused a contraction of aggregate output (over the first nine months of 2022, GDP shrank by 1.6%),⁵ which entailed a reduction in companies' demand for workers. The decrease in the demand for labour, which had started in March, continued throughout 2022. By December, employers' demand for workers declined by 17.8%¹ year-on-year. Concurrently, the unemployment rate edged down, hitting a record low of 3.6% (seasonally adjusted) in November 2022. The reduction in unemployment largely resulted from the migration of the working-age population from the country, a natural population decline, the transition out of the labour force, and the partial mobilisation. Amid long-lasting staff shortages in a number of industries, this entailed a decline in the number of the unemployed that was quicker than the reduction in the number of the employed.

In 2022, staff shortages became more acute at many enterprises. One of the reasons was the expansion of the manufacture of import-substituting and defence products. Another reason was that enterprises that had to reduce their output did not cut their staff, introducing part-time employment schemes, which prevented the transfer of manpower across industries. According to the Bank of Russia's recent survey,⁶ the percentage of companies planning to introduce part-time employment schemes decreased as businesses were adapting to the changed conditions (from 4.5% in April to 1.0% in December).

In the conditions of staff shortages, the competition among job seekers weakened after its significant intensification in April–May. The ratio of active CVs to job vacancies edged down from 5.9 in May to 4.8 by December 2022, while staying higher than in December 2021 (3.8 CVs per job vacancy).⁷ To hire and retain employees, companies raised wages, introduced various social measures, and changed their hiring policies.

⁴ The labour market is addressed in several boxes in the following issues of the Regional Economy report: [No.12 \(June 2022\)](#), [No.10 \(February 2022\)](#), [No. 6 \(July 2021\)](#), and [No. 2 \(February 2021\)](#).

⁵ According to Rosstat.

⁶ The Bank of Russia's recent survey at the end of December 2022 covered 1,045 enterprises.

⁷ According to hh.ru.

CHANGES IN THE STRUCTURE OF THE DEMAND FOR LABOUR

According to the Bank of Russia's recent survey, **one in two enterprises experienced a staff shortage** in December 2022, and a third of companies complained about a deficit of qualified specialists. A half of the enterprises having staff shortages had faced this problem before as well, and a fourth of them explained this deficit by a reduction in labour supply in the market. Staff shortages were most notable in machine building, metallurgy, construction, and transport (Chart 1).

Due to the contraction of imports, there was a rise in the demand for products of some advanced industries, which **increased the demand for employees in such sectors as machine and ship building, petrochemicals, and metal structures manufacturing**. Companies were hiring more employees.

In 2022, a manufacturer of gas turbine units in the Yaroslavl Region increased the number of its production workers by 20% because of high demand for its products and plans to further expand its staff 1.5 times. A machine-builder in the Vologda Region increased its staff by 20% over 2022 Q4 due to a surge in the demand for its products. A shipyard in the Primorye Territory plans to expand its staff by a fourth to be able to fulfil the increased number of orders.

Staff shortages became more acute in regions in such industries as IT, machine building, and cargo and automobile transportation due to an increase in the outflow of employees to large cities. **The shortage of IT specialists became more acute in a number of regions, which was caused by their relocation to other countries**. The South of Russia faced an outflow of qualified construction and energy workers and drivers into the new Russian regions to restore infrastructure there, which was associated with higher wages offered for these jobs. Staff shortage were reported by Far Eastern transportation companies. The growth of cargo traffic at the Eastern railway section intensified the deficit of electric train drivers.

The demand for labour was largely impacted by the increase in the state defence order. **Defence enterprises demonstrated higher demand for low-skilled workers** (metalworkers, welders, assembly workers, and drivers) and engineering and technical employees. To hire personnel, companies raised wages. As a result, the civilian industry faced an outflow of workforce.

Nevertheless, the partial mobilisation did not have a significant effect on enterprises' operations in most regions. As little as 6% of enterprises reported more acute staff shortages for that reason, according to the Bank of Russia's recent survey.

Companies' problems with personnel recruitment made it difficult to address staff shortages. As shown by the Bank of Russia's survey, **nearly a half of companies complained about difficulties with personnel recruitment** in December 2022 (as compared to a third of such companies in February 2021). The main reasons for that were inadequate competence and higher wages pushed up by competition among employers.

CHANGES IN MIGRATION FLOWS

The increase in the inflow of labour migrants recorded in January–November 2022, as compared to the same period in 2021, was insufficient to cover staff shortages in Russian regions. Although the overall number of migrants who entered Russia rose (by 30% year-on-year over the first eleven months of 2022), **the number of foreign highly qualified specialists who arrived to the country was down** (by 29%).⁸

⁸ According to the Russian Ministry of Internal Affairs.

Concurrently, there is a slight decrease in the demand for labour migrants in some Southern regions. The Astrakhan Region reduced the number of labour migrants engaged in agriculture by 20–30% by recruiting locals.

The inflow of migrants from Ukraine and the new Russian territories did not have a considerable impact on labour markets in most Russian regions. As evident from the Bank of Russia's survey, in 2022, only 7% of enterprises hired migrants from Ukraine and the new Russian regions.

WAGES

Because of more acute staff shortages, many **enterprises increased wages** as the main measure to attract and retain specialists. According to the Bank of Russia's survey, 82% of companies raised wages in 2022. As reported by Rosstat, nominal wages increased most notably in manufacturing (+17.3% year-on-year in November 2022) (Chart 2). Moreover, 74% of respondents plan to continue to raise wages in 2023, although to a lesser extent than in 2022. The most significant growth of wages among industries in 2023 is planned by chemical, metallurgical and construction enterprises.

BUSINESS ADAPTATION MECHANISMS

Companies experiencing staff shortages **optimised their production processes, implementing automation technologies.** For example, five enterprises in the Altai Territory installed welding robots to offset the deficit of welders. As output expanded, companies increased the number of work shifts.

To hire personnel, enterprises changed their recruitment policies. There was an increasing number of businesses introducing employee referral programmes in Volga-Vyatka and the Urals.

Employers in some industries demonstrated higher demand for female job seekers and for men of younger and older age groups for traditionally male jobs. Specifically, a passenger transportation company in the Moscow Region opened vacancies for female drivers in October 2022, offering free professional retraining to the job seekers. Siberian enterprises temporarily recruited young people aged from 16 and job seekers of the older age groups. Many companies started to hire young specialists more frequently, using social support measures to attract staff.

To enhance young people's qualification, businesses launched and expanded training and retraining programmes, implemented professional training and development programmes jointly with educational institutions, and introduced coaching practices. For instance, a manufacturer of cable products in Pskov opened its in-house training centre. A Kursk power enterprise, a Yaroslavl engine company, and a Far Eastern airline expanded their targeted programmes for cooperation with technical educational institutions.

In the industries hardest hit by the sanctions, **part-time employment schemes** were the strategy chosen by most companies that had to decrease their output. By the end of the year, individual enterprises started to reduce their staff. Some Siberian coal producers and North-Western, Volga-Vyatka and Far Eastern logging enterprises facing a contraction of sales markets and output introduced part-time employment schemes cutting wages. A large wood processing enterprise in the Arkhangelsk Region reduced its staff in 2022 H2. A Volga-Vyatka wood processing company plans staff reductions.

Part-time employment schemes were also introduced by companies facing problems with the import of spare parts, equipment, and components. By early 2023, about 9% of the staff of a large auto group in the Volga-Vyatka macro-region did not work. Employees of an automobile assembly plant in the Primorye Territory were on paid leaves. A Saint Petersburg automobile plant reduced its staff in December 2022, another one plans to do so in 2023 Q1.

EMPLOYMENT SUPPORT MEASURES

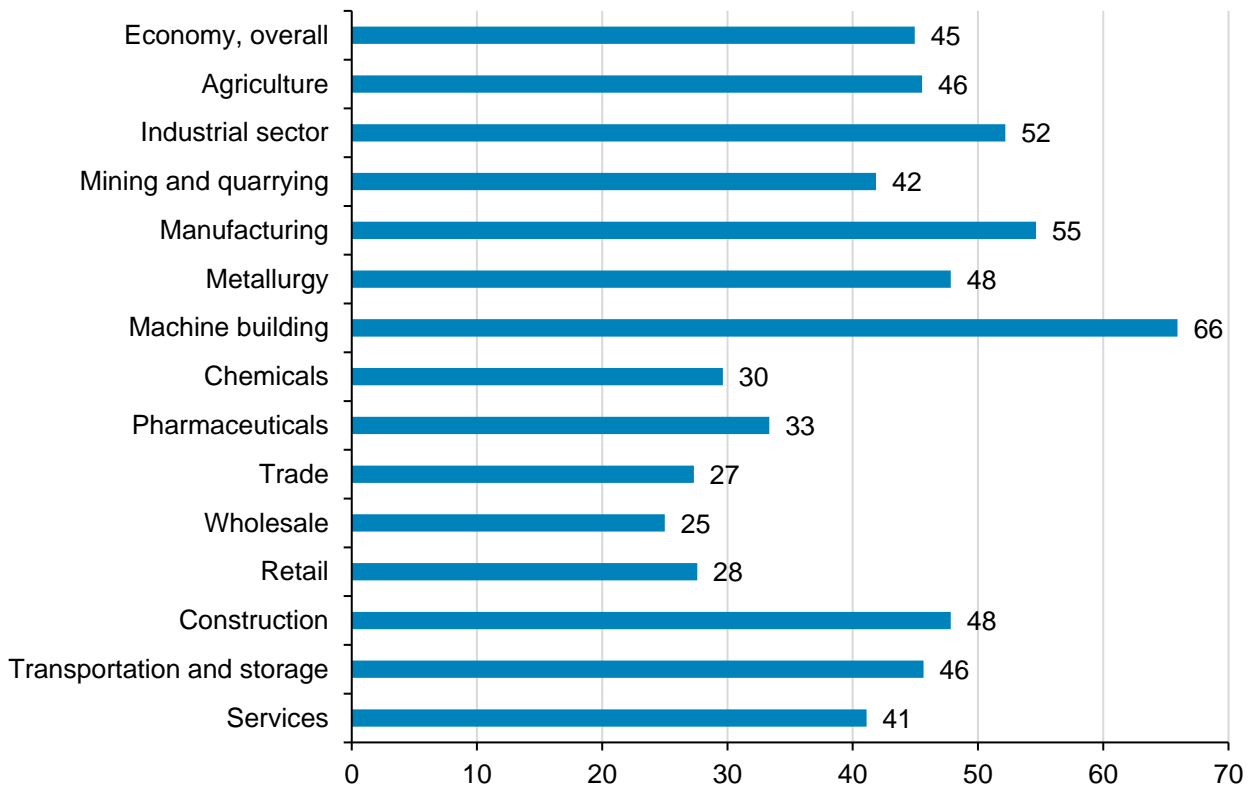
Beginning from autumn 2022, measures implemented by federal executive authorities have been primarily aimed at addressing staff shortages at plants and individual enterprises of the defence industrial complex. Employment agencies helped these enterprises cover the deficit of personnel communicating with employers that had the risk of staff cuts in order to identify human resources for the transfer to defence enterprises, selecting and interviewing the candidates. To support employment in 2023, federal and regional authorities will continue their labour market support measures: temporary jobs for employees who might be dismissed, paid social works for the unemployed, professional training for employees of industrial enterprises who might be dismissed, and retraining of job seekers in accordance with employers' requirements.

COMPANIES' PLANS AND EXPECTATIONS FOR 2023

In January 2023, companies plan to retain personnel, which was reported by the absolute majority of respondents within the Bank of Russia's regular survey carried out in December. Amid growing competition for highly qualified employees, enterprises plan to continue to raise wages and carry out trainings as the main measures to retain personnel and address staff shortages. Considering companies' cautious HR policies with regard to staff reductions, increasing staff shortages, and extensively implemented employment support measures, current trends in the labour market are likely to continue in the next few months.

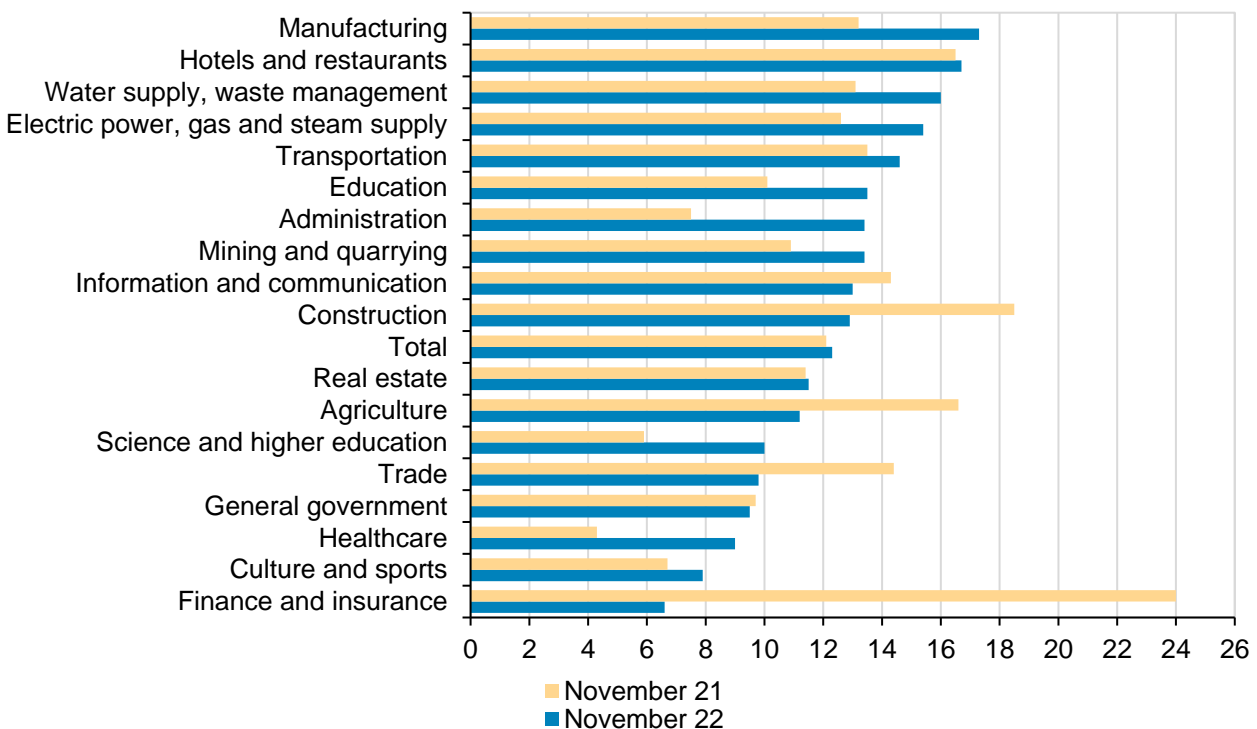
By the end of 2022, the scale of part-time employment schemes and risks of rising unemployment decreased. However, the deficit of employees, especially of highly qualified specialists, intensified. Higher competition among employers resulted from a long-term downward trend in the labour force size, on the one hand, and structural shifts in the economy increasing the demand for labour at enterprises manufacturing import-substituting products, on the other hand.

Chart 1. Percentage of companies facing staff shortages
(according to the Bank of Russia's survey in December 2022), %



Source: Bank of Russia

Chart 2. Growth of nominal wages, % YoY



Source: Rosstat.

BOX 2

PRODUCER COSTS

In 2022, most companies faced a rise in costs. The sanctions enacted against Russia and the exit of foreign manufacturers from the Russian market entailed the termination of long-term economic relations, which disrupted production, logistics and financial chains. Enterprises had to transform their business processes and arrange new supply schemes. Consequently, transportation and logistics routes became longer, the number of intermediaries increased, and the conditions for settlements with suppliers changed. Moreover, subdued consumer activity and excessive supply in individual markets due to the restrictions on exports limited the pass-through of higher costs to prices. Companies expect that their costs will continue to rise in 2023, although more slowly.

PRODUCER COSTS IN 2022

According to the Bank of Russia's recent survey, 86% of companies faced higher costs in 2022. The growth of costs was recorded across all industries. This was reported most frequently by enterprises depending on imported raw materials and equipment, that is, in the mining and quarrying sector, metallurgy, machine building, and the pharmaceutical industry. **The median estimate of the change in costs over 2022 equalled +11.1%.**

The growth rate of costs peaked in March–April following the introduction of the sanctions and the ruble weakening. The exit of foreign manufacturers from the Russian market and the termination of long-term economic relations entailed disruptions of production, logistics and financial chains. Companies faced a deficit of raw materials, equipment and components, due to which they were forced to search for alternative suppliers. Costs for raw materials in Asian markets soared because of high demand. Moreover, there were problems with payment processing, and some foreign suppliers switched to full prepayment terms. Lacking long-term contracts for the supply of materials and components, enterprises were forced to form larger stocks, than usually, which increased their working capital needs. A part of companies experiencing problems with imports switched to Russian products. However, individual companies complained about lower quality and higher prices of Russian alternatives, as compared to imported goods. Enterprises focusing on exports to Europe were forced to search for new sales markets, which increased cargo traffic to the East. **The readjustment of business processes made logistics routes longer, increased the number of intermediaries, and changed the conditions for settlements, which affected costs for raw materials and components.**

Beginning from May, the rise in costs slowed down, partly owing to the ruble strengthening. In 2022 H2, over a half of enterprises monitored by the Bank of Russia reported stable costs, and the percentage of those complaining about rising costs declined below the level of 2021, equalling 36% on average. **Companies were able to implement many measures aimed at decreasing their costs:** they expanded the geography of their suppliers, including by refocusing on domestic ones, started to produce their own components and spare parts and to carry out certain maintenance works themselves, cut administrative expenses, and received support from regional authorities and development institutes. In order to reduce costs, some companies decided to cancel wage indexations.

In addition, the redirection of cargo traffic to the East increased logistics costs and the deficit of carrying capacity at the Eastern railway section. As a result, delivery costs and periods increased. Companies were forced to search for alternative routes and expand their stocks of raw materials, which entailed higher warehouse storage costs. Another reason for rising costs in 2022 was more expensive fuels and utility services.

Higher costs were partially passed through to output prices and had no significant effect on output. According to the Bank of Russia's recent survey, the median estimate of the change in output prices and output in 2022 equalled 5.6% and close to zero, respectively, although these figures varied significantly across industries. Enterprises were unable to completely pass through higher costs to prices, primarily because of subdued demand. Another reason was expanded supply in certain markets caused by the contraction of exports. Besides, some companies had contractual commitments and were unable to raise prices as they were fixed for certain periods.

SECTORAL AND REGIONAL COST FACTORS

INDUSTRIAL SECTOR. In 2022, 85% of industrial enterprises faced an increase in costs, as compared to the previous year. The median estimate of the change in costs equalled 11.9%.

Mining and quarrying. The rise in costs was predominantly associated with the fact that enterprises had to replace suppliers of imported equipment and search for new sales markets. In addition, the redirection from European to Asian markets forced companies to develop new routes, which increased shipping distances and logistics costs. In particular, an enterprise in the Urals reported that its costs rose because of a longer export route and more expensive tanker chartering. Due to a high utilisation of Eastern rail infrastructure, a mining and quarrying enterprise in the Kemerovo Region partially redirected its supplies to Asia through Western and Southern seaports, which significantly increased its transportation costs. However, the pass-through to prices was limited because of subdued demand and contractual terms. Thus, an oil and gas producer in the Irkutsk Region reported that its costs soared 2.5 times in 2022, but, because of its contracts, that surge did not affect its output and prices. To reduce the costs, the company had to cut its administrative expenses.

Manufacturing. Manufacturing companies were actively refocusing on raw material purchases in the domestic and Asian markets and were developing their own manufacture of components. In particular, metallurgical enterprises in the North-West launched their own manufacture of filter elements and dry lubricants based on domestic materials. However, a food enterprise in the Ivanovo Region complained about lower quality of cheaper and more accessible alternatives to the raw materials used. A ceramic manufacturer in the Samara Region faced a 19% rise in costs as it had to replace its European supplier of raw materials with an Asian one. In order to cut costs, some companies changed their product ranges. Namely, a dairy product manufacturer in the Vologda Region adjusted its product range increasing the output of products with a longer shelf life and in larger packages. Facing an increase in costs for its main raw materials, a slate manufacturer in the Republic of Buryatia launched the production of a new item – thin slate. The rise in costs in a number of industries was limited by expanded supply of raw materials in the domestic market, which was associated with the restrictions on exports. Specifically, Volga-Vyatka wood processing enterprises reported a reduction in costs for wood and waste paper purchases because they switched from imported to domestic materials as the latter became cheaper.

RETAIL. In 2022, 84% of retailers experienced a rise in costs. According to the Bank of Russia's recent survey, the median estimate of their change equalled 9.1% in 2022. The main factors of higher costs were more expensive imports and increased delivery costs. However, the pass-through of costs to prices was significantly limited because of high competition and lower consumer demand. Large retailers in most Russian regions expanded the proportion of medium-price domestic products as they were more affordable compared to foreign alternatives. Siberian enterprises started to sign contracts directly with Chinese fruit and vegetable suppliers. Some companies had to change their product ranges due to higher costs for foreign goods and the refusal of some foreign suppliers to cooperate with Russia. In particular, car showrooms substituted European brands for Asian ones.

SERVICES. According to the Bank of Russia's recent survey, 87% of companies faced higher costs in 2022. The median estimate of the change in costs equalled 11.5%. The main factors behind the rise in costs were more expensive consumables and higher lease and utility payments. As consumer activity was moderate, this considerably limited the possibilities for companies to pass through their costs to prices, which forced them to change suppliers, cut costs, and optimise their business processes. In particular, beauty industry companies switched to cheaper domestic consumables. Cinemas closed a number of halls and decreased their working hours for cost saving purposes. Public catering enterprises in the Urals reduced their staff, developing self-service systems.

CONSTRUCTION. According to the Bank of Russia's recent survey, 77% of construction companies reported higher costs in 2022. The median estimate of the change in costs equalled 11.9%. The rise in construction costs was primarily explained by more expensive imported materials, including due to higher logistics costs. Nevertheless, the rise in costs was limited owing to wood and metal prices that edged down amid the expansion of domestic supply. As the demand for real estate was subdued because of high prices and subsidised mortgage lending terms were tightened somewhat, the pass-through of higher costs to prices was significantly limited, which affected the profitability of construction projects. As a result, enterprises were forced to revise their production targets. Specifically, a developer in the Chuvash Republic paused the construction of two promising projects due to rising costs.

AGRICULTURE. According to the Bank of Russia's recent survey, 88% of agricultural companies faced higher costs in 2022. The median estimate of the change in costs equalled 11.4%. The rise in costs was largely caused by an increase in prices for seeds, fertilisers, crop protection chemicals, machinery, and components. In addition, the preparations for spring sowing in 2022 were carried out amid the ruble weakening. In particular, an enterprise in the Rostov Region reported that prices for imported seeds and some hybrids surged by 30% and 50%, respectively, in 2022. The increase in prices for fertilisers was associated with the price indexation approved by the Government due to higher fertiliser production costs. Despite the growth of costs, the rise in food prices was limited due to large gross yields of most agricultural crops. Enterprises cut their costs by switching to domestic suppliers, reducing the number of seasonal workers, and implementing new technologies. Namely, by using crop spraying drones, a large agroindustrial holding company in the Southern macro-region managed to reduce the consumption of crop protection chemicals by 30%. Higher costs in livestock production were associated with an increase in prices for feeds, vitamins, veterinary medicines, and breeding stock. A large poultry enterprise in the Far East facing problems with imports was forced to switch to domestic amino acids and vitamins that were more expensive and of lower quality.

LOGISTICS AND TRANSPORT. According to the Bank of Russia's recent survey, 92% of logistics companies reported higher costs in 2022. The median estimate of the change in costs equalled 11.0%. The main reasons behind rising costs were increased prices for fuels, spare parts and machinery and higher wages. Specifically, an airline in the North-Western macro-region reported a more than 10% rise in capital expenditures as it was impossible to transport engines to Europe for repairs. Another factor of higher costs for road transportation was an increase in insurance rates in compulsory motor third party liability insurance. In addition, as the demand for goods transportation to the East and the South was high after the redirection of cargo traffic, transportation companies were able to raise their prices. In particular, Far Eastern enterprises reported that costs for railway container and automobile transportation to Western regions soared by more than a third in 2022.

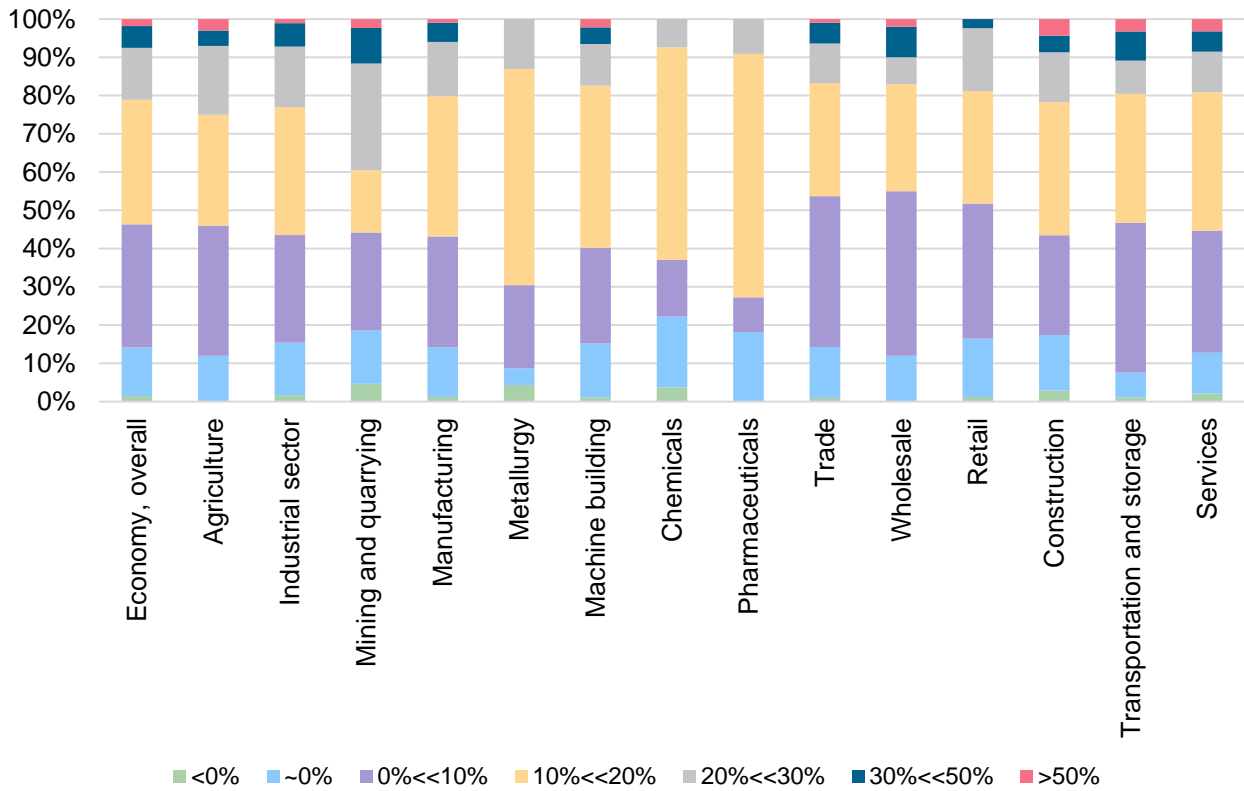
COMPANIES' EXPECTATIONS FOR 2023

Companies consider that the adjustment to the new conditions is not complete yet. They continue to search for new suppliers and optimise their logistics schemes. Enterprises expect costs to rise in 2023, but this growth will slow down, as compared to the previous year. Prices for raw materials, components and equipment will remain the major factor affecting cost changes. Logistics costs are expected to rise further, including because of the indexation of rail transportation rates. Most companies plan to raise wages (see the *Box 'Regional and sectoral labour markets'*). To cut their costs, enterprises plan to continue to refocus on Russian manufacturers in order to substitute imported components. **Some companies consider that their output might contract due to less effective capabilities.**

In 2023, enterprises plan to continue the pass-through of costs to prices. The extent and the duration of this pass-through will depend on demand trends in the market. Companies that did not raise prices in 2022 because of contractual terms plan a 10–20% increase on average.

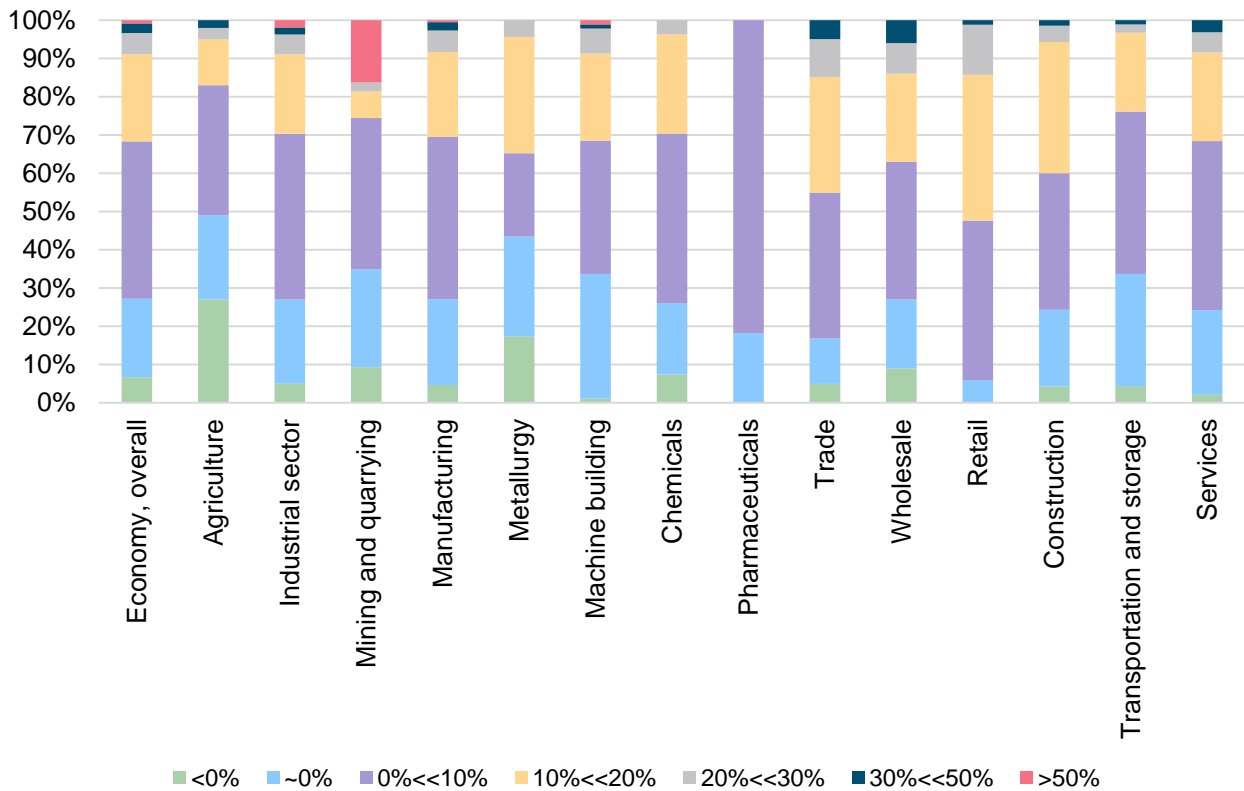
In 2022, due to the sanctions, enterprises had to readjust their business processes, which entailed higher costs. The impact of certain cost factors varied across industries and regions. The pass-through of costs to prices was limited due to weak demand. The process of the adjustment to the new conditions is not complete yet. Meanwhile, companies continue to search for new partners and transportation routes in order to reduce their costs.

Chart 1. Changes in companies' costs in 2022 across industries



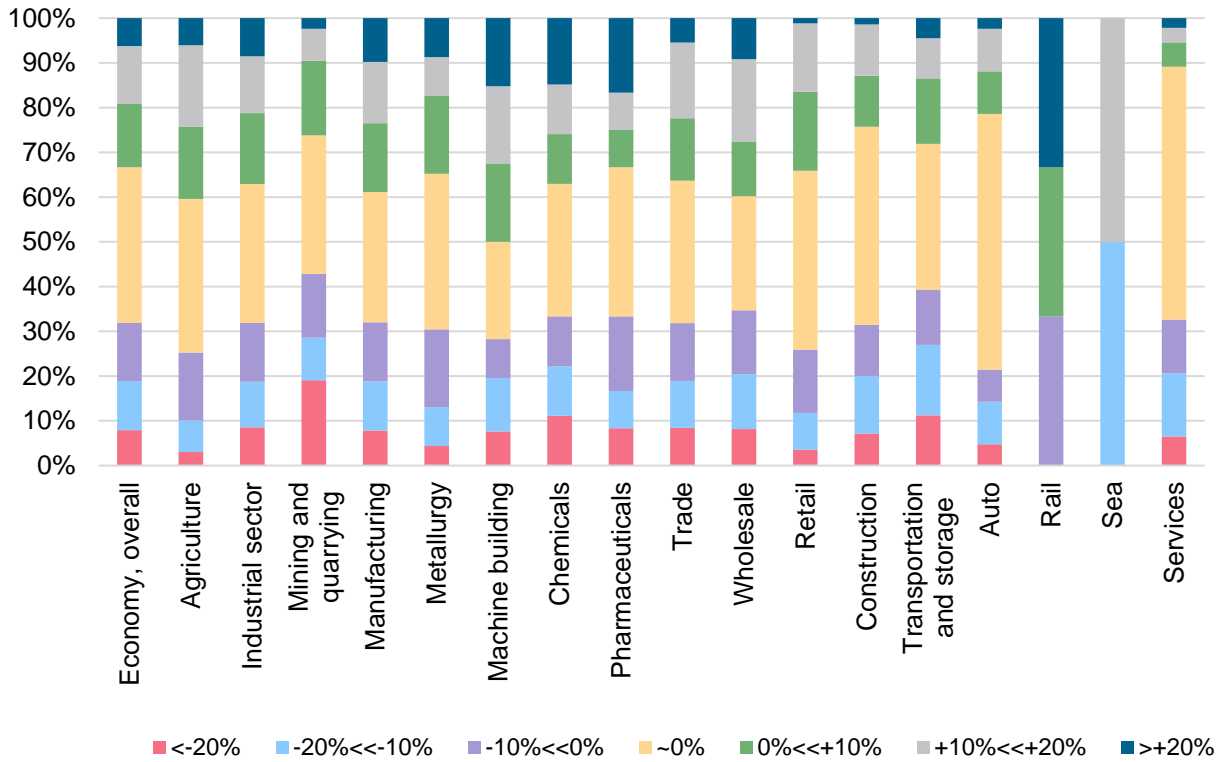
Source: Bank of Russia.

Chart 2. Changes in companies' output prices in 2022 across industries



Source: Bank of Russia.

Chart 3. Changes in companies' output in 2022 across industries



Source: Bank of Russia

REGIONAL ECONOMY: EARLIER ISSUES AND BOXES THEREIN



No. 16
8 December
2022

Investment activity amid the structural transformation of the economy

Regional budgets: 2022 results and 2023 plans



No. 15
20 October
2022

2022 harvest campaign: preliminary results and their impact on food prices

Monetary conditions and credit and deposit markets



No. 14
8 September
2022

Logistics and export possibilities of Russia's economy amid structural changes

Lower economic activity: impact of demand- and supply-side factors



No. 13
14 July 2022

The level of stocks

Households' consumption and saving behaviour



No. 12
2 June
2022

The impact of structural changes in the economy on the labour market

The housing market and current trends in housing construction



No. 11
20 April 2022

Changes in the geography of export and import supplies

Progress of seasonal field work



No. 10
3 February
2022

Producer prices for food

Structural changes in the labour market during the COVID-19 pandemic



No. 9
9 December
2021

Investment activity in 2021 Q3

Regional budgets in 2021



No. 8
14 October
2021

Heterogeneous consumer price dynamics

Preliminary results of the 2021 harvest campaign and their impact on food prices



No. 7
2 September
2021

Businesses' price expectations

Monetary conditions and the credit and deposit market in April–July 2021



No. 6
15 July 2021

Situation in global markets and external demand sectors in 2021 H1

Rebound in regional labour markets in 2021 H1



No. 5
3 June
2021

SMEs' business activity

Market of tourism and related services



No. 4
15 April
2021

Supply-side constraints and their factors in individual product groups

Current situation in the motor fuel market



No. 3
11 March
2021

Influence of recent regulatory measures on food market

Regional budgets in 2020 and expectations for 2021



No. 2
4 February
2021

Impact of the coronavirus pandemic on regional labour markets

Housing market and its regional specifics in 2020



No. 1
18 December
2020

Consumer demand: the impact of the worsening epidemiological situation

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2021	2022	2021	2022	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4				
Inflation	% YoY	8.4	11.9	8.4	16.7	15.9	13.7	11.9		12.0	11.9	
Core inflation	% YoY	8.9	14.3	8.9	18.7	19.2	17.1	14.3		15.1	14.3	
Industrial production	3MMA, % YoY	6.4		7.9	5.1	-2.5	-1.3			-2.5		
Fixed capital investment	Cumulative, % YoY	7.7		7.7	12.8	7.8	5.9					
Construction	3MMA, % YoY	6.0		6.4	4.4	3.5	6.6			8.0		
Housing commissioning	3MMA, % YoY	12.7	11.0	-11.2	64.6	24.6	1.5	-21.3		-18.3	-21.3	
Retail	3MMA, % YoY	7.8		4.7	3.5	-9.8	-9.4			-9.4		
Commercial services	3MMA, % YoY	16.7		12.6	7.8	1.2	2.1			1.5		
Real wages	3MMA, % YoY	4.5		2.7	2.9	-5.5	-2.0					
Real disposable income	% YoY	3.1		0.0	-1.0	-1.9	-2.4					
Unemployment	SA, %	4.8		4.3	4.2	3.9	3.9			3.8		
Outstanding consumer loans	% YoY	19.5	2.5	19.5	15.6	7.1	4.3	2.5		2.8	2.5	
Outstanding mortgage loans	% YoY	26.7	17.6	26.7	27.2	18.3	16.8	17.6		18.1	17.6	
Funds in escrow accounts	% YoY	158	33	158	130	76	54	33		39	33	
Non-financial organisations' outstanding bank loans	% YoY	14.6		14.6	17.6	15.6	16.7			18.1		
• Large borrowers	% YoY	12.3		12.3	15.1	13.3	13.8			15.5		
• SMEs	% YoY	27.5		27.5	30.4	26.5	31.8			31.2		
Companies' price expectations	Balance of responses, SA	20.1	21.8	21.6	29.1	24.3	15.4	18.2		18.4	19.7	17.6
Business Climate Index	pp YoY	9.6	-4.8	6.6	-2.3	-11.2	-2.3	-3.5		-2.4	-1.6	-2.4
• Current estimates	pp YoY	11.1	-4.2	6.2	1.0	-11.6	-3.0	-3.3		-3.2	0.0	-2.3
• Expectations	pp YoY	7.8	-5.5	6.9	-5.8	-10.8	-1.6	-3.7		-1.6	-3.2	-2.4

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

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	8.3	12.5	8.3	16.6	16.3	14.2	12.5	12.5	12.5	
Core inflation	% YoY	9.0	14.9	9.0	18.9	19.9	17.7	14.9	15.6	14.9	
Industrial production	3MMA, % YoY	23.6		24.7	7.5	-0.7	3.4		5.2		
Fixed capital investment	Cumulative, % YoY	13.4		13.4	8.2	3.8	1.2				
Construction	3MMA, % YoY	4.4		-0.7	3.1	10.5	11.1		11.2		
Housing commissioning	3MMA, % YoY	14.3	12.6	-18.3	82.6	24.2	-2.3	-21.8	-19.5	-21.8	
Retail	3MMA, % YoY	8.5		4.8	2.9	-12.9	-12.7		-12.4		
Commercial services	3MMA, % YoY	22.5		20.4	16.8	-1.5	0.8		1.1		
Real wages	3MMA, % YoY	5.6		3.1	5.3	-7.2	-4.8				
Real disposable income	% YoY	4.7%		1.4	3.4	-3.9	-4.1				
Unemployment	SA, %	3.5		3.1	3.0	3.0	3.0		2.9		
Outstanding consumer loans	% YoY	19.9	2.8	19.9	16.7	8.6	4.8	2.8	3.4	2.8	
Outstanding mortgage loans	% YoY	29.2	16.9	29.2	28.5	19.9	18.3	16.9	18.0	16.9	
Funds in escrow accounts	% YoY	171	40	171	137	84	59	40	42	40	
Non-financial organisations' outstanding bank loans	% YoY	13.1		13.1	14.8	12.5	13.3		13.2		
• Large borrowers	% YoY	10.0		10.0	11.3	9.7	10.0		10.4		
• SMEs	% YoY	36.6		36.6	39.4	29.4	35.6		30.9		
Companies' price expectations	Balance of responses, SA	29.6	28.5	29.3	37.2	35.2	19.7	21.9	22.5	22.8	18.8
Business Climate Index	pp YoY	8.9	-6.4	5.4	-2.0	-14.2	-4.2	-5.1	-3.8	-2.2	-3.5
• Current estimates	pp YoY	9.4	-5.1	4.9	2.8	-14.3	-3.9	-5.1	-3.1	-1.1	-3.0
• Expectations	pp YoY	8.1	-7.7	5.9	-7.1	-14.1	-4.5	-5.0	-4.5	-3.4	-4.0

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

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	8.5	11.9	8.5	17.1	15.5	13.7	11.9	12.2	11.9	
Core inflation	% YoY	8.9	14.7	8.9	19.3	19.0	17.5	14.7	15.7	14.7	
Industrial production	3MMA, % YoY	5.2		7.1	5.2	-1.6	-5.8		-3.1		
Fixed capital investment	Cumulative, % YoY	0.9		0.9	3.4	0.1	-3.6				
Construction	3MMA, % YoY	0.3		11.8	-4.6	-6.4	-7.4		-13.7		
Housing commissioning	3MMA, % YoY	13.3	8.4	-35.8	43.3	33.6	-19.6	-8.6	-12.6	-8.6	
Retail	3MMA, % YoY	11.7		9.2	5.0	-10.6	-12.4		-12.2		
Commercial services	3MMA, % YoY	18.0		14.2	4.2	1.3	2.3		2.0		
Real wages	3MMA, % YoY	4.3		2.3	1.6	-5.1	-2.6				
Real disposable income	% YoY	4.5		3.0	0.4	-2.3	-3.8				
Unemployment	SA, %	3.9		3.3	3.1	3.1	3.5		3.5		
Outstanding consumer loans	% YoY	18.7	1.8	18.7	14.8	6.4	3.9	1.8	2.0	1.8	
Outstanding mortgage loans	% YoY	26.5	15.2	26.5	26.9	18.1	16.2	15.2	16.0	15.2	
Funds in escrow accounts	% YoY	255	32	255	202	111	78	32	55	32	
Non-financial organisations' outstanding bank loans	% YoY	28.3		28.3	39.2	42.6	29.5		41.2		
• Large borrowers	% YoY	32.5		32.5	46.6	54.2	28.9		39.5		
• SMEs	% YoY	11.0		11.0	13.2	7.0	32.4		49.5		
Companies' price expectations	Balance of responses, SA	23.6	23.6	23.7	30.3	27.8	16.8	19.5	20.8	20.2	18.4
Business Climate Index	pp YoY	9.4	-8.9	8.3	-2.0	-14.9	-9.1	-9.8	-8.4	-8.8	-8.3
• Current estimates	pp YoY	11.1	-8.3	8.7	1.1	-15.5	-9.4	-9.3	-9.1	-7.0	-7.3
• Expectations	pp YoY	7.5	-9.6	7.9	-5.2	-14.2	-8.8	-10.3	-7.6	-10.7	-9.2

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

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	8.6	12.4	8.6	17.1	16.7	14.2	12.4	12.2	12.4	
Core inflation	% YoY	9.4	14.7	9.4	19.7	20.1	17.8	14.7	15.4	14.7	
Industrial production	3MMA, % YoY	9.4		10.7	6.9	-3.5	1.0		-1.5		
Fixed capital investment	Cumulative, % YoY	5.3		5.3	12.8	6.5	6.0				
Construction	3MMA, % YoY	14.1		15.9	19.3	2.5	12.4		18.7		
Housing commissioning	3MMA, % YoY	8.5	3.8	1.1	18.2	26.4	14.4	-31.5	-18.2	-31.5	
Retail	3MMA, % YoY	6.0		5.1	4.3	-8.6	-5.7		-3.9		
Commercial services	3MMA, % YoY	10.9		6.6	5.4	3.9	2.4		0.8		
Real wages	3MMA, % YoY	4.3		3.7	1.1	-4.5	-1.3				
Real disposable income	% YoY	1.9		1.3	-0.3	-2.0	-3.3				
Unemployment	SA, %	4.0		3.5	3.4	3.3	3.2		3.1		
Outstanding consumer loans	% YoY	19.2	1.2	19.2	14.6	5.4	3.2	1.2	1.6	1.2	
Outstanding mortgage loans	% YoY	23.0	15.4	23.0	24.2	15.5	13.4	15.4	14.9	15.4	
Funds in escrow accounts	% YoY	105	12	105	99	54	35	12	21	12	
Non-financial organisations' outstanding bank loans	% YoY	11.8		11.8	12.0	9.2	10.0		12.6		
• Large borrowers	% YoY	9.0		9.0	8.0	4.0	6.0		9.2		
• SMEs	% YoY	19.9		19.9	23.5	23.7	21.3		21.8		
Companies' price expectations	Balance of responses, SA	29.0	28.7	29.4	36.7	36.1	20.0	21.9	23.8	21.5	19.9
Business Climate Index	pp YoY	9.5	-5.6	6.9	-3.5	-13.2	-1.2	-4.4	-4.6	-2.0	-1.1
• Current estimates	pp YoY	11.1	-5.9	6.3	-2.1	-14.0	-3.3	-4.4	-6.2	-1.3	-0.7
• Expectations	pp YoY	7.6	-5.1	7.6	-4.8	-12.2	1.2	-4.5	-2.9	-2.8	-1.5

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

Core indicators. Southern Main Branch

Table 5

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	9.2	11.7	9.2	16.6	16.1	13.3	11.7	11.7	11.7	
Core inflation	% YoY	9.1	14.4	9.1	17.1	18.8	16.9	14.4	15.1	14.4	
Industrial production	3MMA, % YoY	6.2		5.8	5.2	-1.2	0.3		3.7		
Fixed capital investment	Cumulative, % YoY	-0.5		-0.5	1.8	2.4	3.9				
Construction	3MMA, % YoY	8.2		14.0	-16.2	11.0	11.7		9.6		
Housing commissioning	3MMA, % YoY	13.8	18.0	-8.4	94.2	37.7	3.1	-20.2	-21.4	-20.2	
Retail	3MMA, % YoY	12.0		5.4	2.9	-6.1	-4.5		-3.7		
Commercial services	3MMA, % YoY	14.9		7.3	5.4	2.5	1.9		1.2		
Real wages	3MMA, % YoY	2.3		0.1	-1.5	-5.7	-2.2				
Real disposable income	% YoY	3.1		-0.3	-1.3	-2.2	-1.7				
Unemployment	SA, %	7.8		7.0	6.9	6.3	6.2		6.2		
Outstanding consumer loans	% YoY	21.1	3.1	21.1	17.4	8.6	5.7	3.1	3.6	3.1	
Outstanding mortgage loans	% YoY	30.7	24.9	30.7	31.5	22.4	21.1	24.9	23.9	24.9	
Funds in escrow accounts	% YoY	120	25	120	91	46	36	25	27	25	
Non-financial organisations' outstanding bank loans	% YoY	13.7		13.7	16.8	15.2	32.8		30.2		
• Large borrowers	% YoY	8.4		8.4	10.7	7.2	29.8		27.5		
• SMEs	% YoY	28.5		28.5	33.2	35.9	40.2		36.6		
Companies' price expectations	Balance of responses, SA	20.2	21.1	21.7	28.0	23.8	15.1	17.4	17.6	19.7	15.9
Business Climate Index	pp YoY	7.9	-3.9	2.4	-2.5	-10.0	-2.0	-1.1	-0.7	-1.7	-0.7
• Current estimates	pp YoY	10.0	-3.3	2.0	1.5	-9.2	-3.9	-1.5	-2.0	-1.4	-1.8
• Expectations	pp YoY	5.3	-4.6	2.9	-6.6	-10.9	0.0	-0.8	0.7	-2.0	0.3

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

Core indicators. Ural Main Branch

Table 6

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	7.7	11.0	7.7	16.1	15.1	12.7	11.0	10.9	11.0	
Core inflation	% YoY	8.2	12.4	8.2	18.3	17.7	15.4	12.4	13.1	12.4	
Industrial production	3MMA, % YoY	4.8		6.7	5.0	-2.9	-0.8		-1.9		
Fixed capital investment	Cumulative, % YoY	-0.2		-0.2	18.4	10.0	9.1				
Construction	3MMA, % YoY	5.0		11.9	5.3	-10.9	-1.7		-2.1		
Housing commissioning	3MMA, % YoY	12.1	11.2	-3.7	64.9	8.6	9.5	-13.2	-15.0	-13.2	
Retail	3MMA, % YoY	4.4		2.6	2.7	-9.2	-8.7		-8.5		
Commercial services	3MMA, % YoY	14.7		10.1	6.0	2.1	3.4		1.9		
Real wages	3MMA, % YoY	3.4		1.3	1.0	-4.7	2.4				
Real disposable income	% YoY	0.7		1.2	0.0	-2.9	-1.6				
Unemployment	SA, %	4.4		3.8	3.7	3.4	3.2		3.1		
Outstanding consumer loans	% YoY	18.1	1.6	18.1	13.6	5.1	3.5	1.6	1.8	1.6	
Outstanding mortgage loans	% YoY	21.1	16.5	21.1	22.2	13.7	14.0	16.5	16.5	16.5	
Funds in escrow accounts	% YoY	109	22	109	107	54	35	22	26	22	
Non-financial organisations' outstanding bank loans	% YoY	16.6		16.6	22.3	17.8	19.0		19.4		
• Large borrowers	% YoY	15.0		15.0	21.1	15.9	17.6		18.0		
• SMEs	% YoY	27.6		27.6	30.2	29.6	26.9		27.7		
Companies' price expectations	Balance of responses, SA	22.8	23.8	22.6	29.8	29.5	17.8	18.2	17.5	20.3	18.0
Business Climate Index	pp YoY	9.5	-4.9	7.8	-1.3	-11.7	-2.6	-3.8	-4.0	0.8	-1.7
• Current estimates	pp YoY	10.2	-4.1	5.2	1.3	-10.9	-2.7	-4.1	-4.8	1.6	-1.8
• Expectations	pp YoY	8.7	-5.7	10.4	-4.4	-12.5	-2.6	-3.6	-3.1	-0.1	-1.7

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

Core indicators. Siberian Main Branch

Table 7

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	9.3	12.7	9.3	18.4	17.2	14.6	12.7	12.7	12.7	
Core inflation	% YoY	9.5	14.2	9.5	20.7	19.9	17.5	14.2	15.1	14.2	
Industrial production	3MMA, % YoY	3.2		6.5	4.8	1.3	-1.0		-0.9		
Fixed capital investment	Cumulative, % YoY	9.6		9.6	8.9	9.9	6.1				
Construction	3MMA, % YoY	13.9		16.0	26.9	8.5	8.7		10.8		
Housing commissioning	3MMA, % YoY	7.7	3.5	-11.0	87.5	10.5	6.2	-39.7	-26.7	-39.7	
Retail	3MMA, % YoY	7.1		7.8	7.4	-5.7	-5.4		-5.9		
Commercial services	3MMA, % YoY	11.7		7.5	6.8	5.0	6.4		4.9		
Real wages	3MMA, % YoY	3.3		2.9	2.2	-4.6	0.8				
Real disposable income	% YoY	1.5		2.6	-0.1	-2.3	-2.3				
Unemployment	SA, %	6.1		5.3	5.1	5.0	4.6		4.4		
Outstanding consumer loans	% YoY	20.5	3.7	20.5	16.1	7.2	4.9	3.7	3.4	3.7	
Outstanding mortgage loans	% YoY	25.8	17.3	25.8	26.9	17.1	15.0	17.3	18.0	17.3	
Funds in escrow accounts	% YoY	149	25	149	108	60	38	25	28	25	
Non-financial organisations' outstanding bank loans	% YoY	5.0		5.0	14.5	10.7	16.7		17.7		
• Large borrowers	% YoY	1.4		1.4	12.5	5.1	12.4		13.7		
• SMEs	% YoY	18.8		18.8	21.6	29.6	31.7		30.7		
Companies' price expectations	Balance of responses, SA	24.5	24.6	26.1	33.5	28.6	18.8	17.7	17.3	18.9	17.1
Business Climate Index	pp YoY	8.8	-3.6	6.5	-2.7	-9.3	0.2	-2.7	-1.0	1.8	-0.2
• Current estimates	pp YoY	10.2	-4.2	6.0	-1.2	-10.5	-0.6	-4.7	-4.4	2.1	0.5
• Expectations	pp YoY	7.3	-3.0	7.1	-4.3	-8.0	1.0	-0.6	2.7	1.4	-0.9

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

		2021	2022	2021	2022	2022	2022	2022	Nov	Dec	Jan
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	6.7	11.9	6.7	13.4	14.1	12.5	11.9	11.8	11.9	
Core inflation	% YoY	6.7	14.0	6.7	15.1	16.5	15.3	14.0	14.4	14.0	
Industrial production	3MMA, % YoY	3.5		-0.4	4.2	-7.5	-12.5		-11.4		
Fixed capital investment	Cumulative, % YoY	9.9		9.9	19.9	11.1	9.7				
Construction	3MMA, % YoY	-4.5		-26.3	0.8	3.9	0.4		18.5		
Housing commissioning	3MMA, % YoY	25.4	13.7	23.6	23.9	34.0	31.8	-6.6	10.3	-6.6	
Retail	3MMA, % YoY	5.6		-1.2	1.2	-1.6	-1.4		-3.0		
Commercial services	3MMA, % YoY	13.3		7.1	-0.7	-3.0	-2.6		0.1		
Real wages	3MMA, % YoY	4.2		4.3	0.1	-3.9	-3.6				
Real disposable income	% YoY	1.9		2.0	-0.4	-2.3	-3.1				
Unemployment	SA, %	4.6		4.3	4.3	4.0	3.9		3.7		
Outstanding consumer loans	% YoY	17.7	3.7	17.7	13.1	5.8	3.5	3.7	2.6	3.7	
Outstanding mortgage loans	% YoY	32.5	23.3	32.5	34.4	25.5	22.4	23.3	25.1	23.3	
Funds in escrow accounts	% YoY	162	34	162	133	95	68	34	51	34	
Non-financial organisations' outstanding bank loans	% YoY	18.0		18.0	8.5	10.7	13.2		14.4		
• Large borrowers	% YoY	17.0		17.0	4.4	6.2	12.8		14.5		
• SMEs	% YoY	21.8		21.8	24.8	28.2	14.7		13.9		
Companies' price expectations	Balance of responses, SA	19.1	20.9	21.9	25.4	25.5	15.6	17.0	18.0	16.7	17.6
Business Climate Index	pp YoY	7.3	-3.2	8.5	-0.7	-7.3	0.1	-4.7	-4.1	-2.0	-1.0
• Current estimates	pp YoY	8.4	-2.0	8.1	4.1	-6.6	-0.9	-4.5	-4.0	-1.4	-4.5
• Expectations	pp YoY	6.1	-4.4	8.8	-5.7	-7.9	1.2	-5.0	-4.2	-2.6	2.3

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