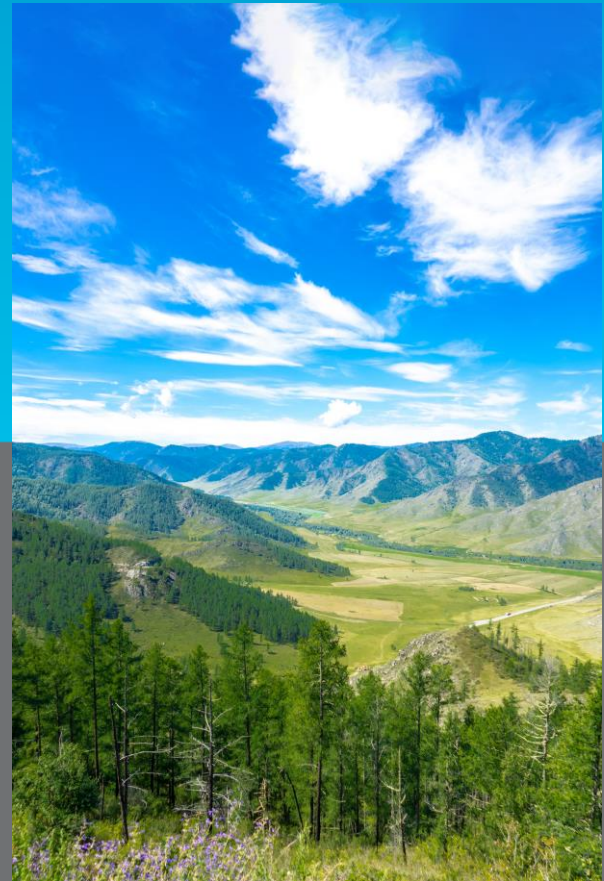




Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

No. 20 • May 2023

31 May 2023

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

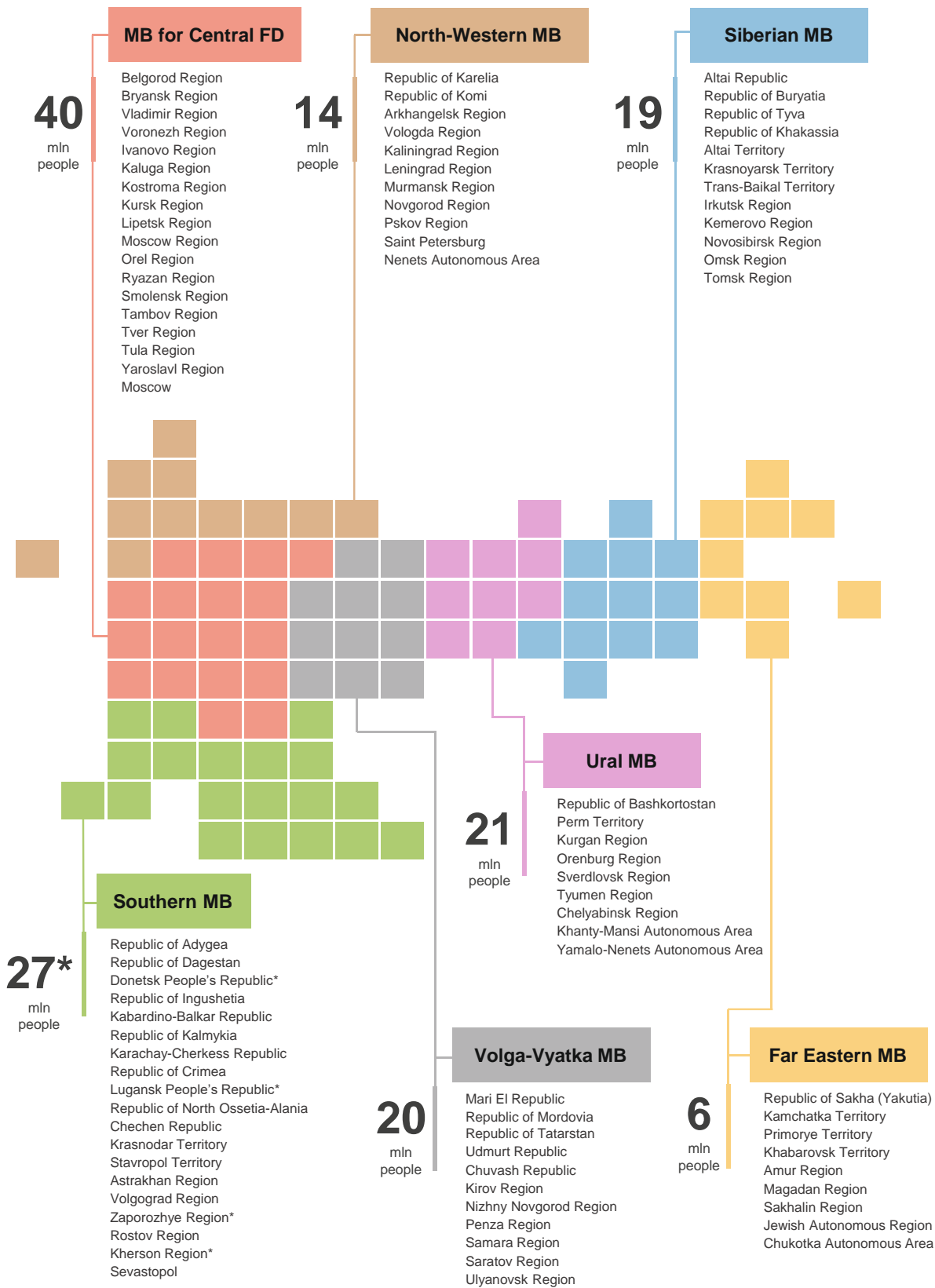
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Cover photo: in the vicinity of the Chuya Highway in the Altai Republic. Source: Shutterstock/FOTODOM

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*Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of nearly 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, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT

This Report is prepared to be a reliable source of the most up-to-date information about regional development for addressing the objectives of monetary policy. It describes key trends in economic activity and pricing processes in Russian regions, as well as the identified effects of both country-wide and local factors. All this is an integral part of the information the Bank of Russia's management needs to make monetary policy decisions. This Report is considered by the Bank of Russia's management in the course of preparations for making key rate decisions.

¹ In May 2023, we surveyed 12,546 companies.

RUSSIAN FEDERATION

In April–May, consumer activity continued to recover in all macro-regions. Consumer price growth slightly accelerated in monthly terms. In May, short-term price expectations of businesses declined in most macro-regions, whereas household inflation expectations slightly picked up. Economic activity was on the rise in several industries, thus contributing to output recovery. Staff shortages intensified in the majority of industries. Growth in corporate and retail lending accelerated. The inflow of funds into deposits and current accounts continued.

Recovery in consumer activity continued at moderate paces. Shopping mall traffic increased. Sales of non-food goods, including new and used cars, recovered. Household demand for public catering and domestic tourism services continued to grow (see the Box *'Domestic tourism: transformed demand and supply capacity'*). Buyers still preferred more affordable goods and services. Retail and service companies' demand expectations remain positive.

In April 2023, monthly growth in consumer prices accelerated (seasonally adjusted), but price pressure remains moderate overall. Services prices, especially those related to tourism, appreciated the most. Goods prices grew much slower. Household inflation expectations edged up in May after a two-month decline. Businesses' short-term price expectations dropped following their upward movement over the two previous months.

In April, economic activity consistently grew. In the Far East, due to growing demand for the transshipment of coal, oil and petroleum products, container and other cargoes, work was done to reactivate additional port infrastructure capacities, to increase the container fleet, and to switch individual facilities of the cross-border railway infrastructure to 24/7 operation mode. Cargo turnover in Russia's southern ports expanded by almost a third over the year. The number of orders for the construction of ships and ship equipment is growing. As a result, shipbuilders in the North-West increased their product range. In Siberia, output in non-ferrous metallurgy and chemical industry increased. In Central Russia and the Urals, enterprises of ferrous metallurgy increased their output (see the Box *'Industry focus. Ferrous metallurgy'*). However, the situation in mining and quarrying was subdued. Because of the withdrawal of a number of Western companies from the Russian market, there was an increase in demand for engineering products manufactured in the Urals and South of Russia, which was followed by an increase in production. Import substitution processes led to an increase in the output of furniture and construction materials in Central Russia, and clothing – in the North-West. The Volga Region raised the production of food products due to the expansion of the raw material base of the agroindustrial complex. The pickup in economic activity caused an increase in demand for labour. Given the limited supply, staff shortages intensified in most sectors of the economy.

In April, monetary conditions remained broadly neutral. Demand for loans increased. In April, the number of new market-based mortgage loans rose in the country as a whole, whereas new subsidised mortgages slightly decreased, which in part implies a shift in demand from the primary to secondary market due to price differences. The inflow of household funds into banks continued.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Furniture companies almost restored output volumes to the level of early 2022, filling empty market niches after the withdrawal of Western companies and adapting their processes to use available materials and components. Demand for building materials is fuelled by the implementation of infrastructure projects. The market sees a growing interest to secondary housing because of high prices in the primary segment. The volume of current housing construction somewhat declines in most regions of Central Russia.

NORTH-WESTERN MAIN BRANCH. The macro-region's shipbuilding industry actively advanced, in part due to import substitution projects. The production of clothing grew markedly in the situation of the withdrawal of foreign producers from the market, as well as the introduction of support measures. Passenger traffic increased in railway and air transport largely due to growth in domestic tourism.

VOLGA-VYATKA MAIN BRANCH. The housing under construction continued to expand, while the share of unsold flats, according to project declarations, was high compared to the previous three years. A higher supply of certain agricultural products was in part conditional on the implementation of investment projects. Having to deal with staff shortages, companies more actively used their employees, revised wage conditions, and outsourced some functions.

SOUTHERN MAIN BRANCH. Given the growing tourist traffic, consumer activity remained higher than in Russia as a whole. Agriculture preserved positive expectations regarding output due in part to the implementation of investment lending programmes. As a result of the redirection of trade flows, deliveries via southern ports continued to grow. A larger number of orders for industrial machinery drove up output in mechanical engineering.

URAL MAIN BRANCH. Machine-building enterprises concentrated on the manufacture of new products and increased production capacity. Seeking to attract new staff, they introduced work on shift rotation, provided accommodation, compensated travel expenses, and offered training in new skills. The number of new housing projects implemented by large federal developers, among others, continued to increase.

SIBERIAN MAIN BRANCH. In the coal industry, there was an ongoing recovery growth in production and exports. The non-ferrous metallurgy expanded its production range, relevant for Russian consumers. The chemical industry redirected formerly European export volumes to other markets and recovered output. At the same time, domestic tourist traffic was lower than expected. Owners of some Altai and Baikal hotels and tourist facilities explained it by the abnormally cold spring and new holiday opportunities abroad.

FAR EASTERN MAIN BRANCH Far Eastern ports increased the transshipment of oil and petroleum products. Transport companies expanded the geography of sea shipments and increased their container fleet. Due to the weak demand in the Asian markets, the timber industry faced a persistently low industrial production capacity utilisation and considerable stocks of finished products. In search of new markets, wood processing companies launched new production facilities with high value added.

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 | Apr23 | 2.3 | 2.9 | 2.7 | 2.4 | 2.6 | 1.1 | 2.0 | 3.8 |
| Core inflation | % YoY | Apr23 | 2.0 | 2.5 | 2.5 | 1.7 | 2.8 | 0.1 | 0.9 | 3.7 |
| Industrial production | 3MMA, % YoY | Mar23 | -0.9 | 4.7 | -0.9 | 2.3 | -0.3 | -1.6 | -1.4 | -3.7 |
| Fixed capital investment | Cumulative, % YoY | 2022 Q4 | 4.6 | -0.2 | -5.0 | 3.3 | 5.1 | 8.7 | 5.6 | 11.5 |
| Construction | 3MMA, % YoY | Mar23 | 8.9 | 5.9 | 0.3 | 6.2 | 41.1 | 4.7 | 7.3 | 16.9 |
| Housing commissioning | 3MMA, % YoY | Apr23 | -11.8 | -17.9 | -25.4 | 0.1 | -20.0 | -2.1 | 6.1 | 28.0 |
| Retail | 3MMA, % YoY | Mar23 | -7.3 | -12.0 | -9.7 | -1.7 | -0.3 | -0.8 | -4.0 | -3.5 |
| Commercial services | 3MMA, % YoY | Mar23 | 3.9 | 4.6 | 4.3 | 4.1 | 5.3 | 2.7 | 2.6 | 0.5 |
| Real wages | 3MMA, % YoY | Mar23 | 1.6 | -2.2 | 0.6 | 4.8 | 4.8 | 5.8 | 4.4 | 1.5 |
| Real disposable income | % YoY | 2022 Q4 | 0.4 | -0.9 | -0.3 | 1.7 | 3.4 | 1.1 | 0.7 | -1.3 |
| Unemployment | SA, % | Mar23 | 3.5 | 2.8 | 3.1 | 2.8 | 5.7 | 2.8 | 3.9 | 3.1 |
| Outstanding consumer loans ² | % YoY | Apr23 | 8.2 | 8.2 | 7.0 | 7.6 | 9.1 | 7.5 | 9.3 | 9.0 |
| Outstanding mortgage loans | % YoY | Apr23 | 18.6 | 16.9 | 14.6 | 16.6 | 28.5 | 18.6 | 19.3 | 21.9 |
| Funds in escrow accounts | % YoY | Apr23 | 10.7 | 14.8 | 6.6 | -8.1 | 22.9 | 2.9 | 10.1 | 9.2 |
| Non-financial organisations' outstanding bank loans | % YoY | Mar23 | 19.4 | 18.3 | 34.8 | 8.4 | 28.1 | 13.1 | 10.9 | 27.3 |
| • Large borrowers | % YoY | Mar23 | 17.7 | 16.2 | 39.3 | 4.9 | 23.0 | 8.9 | 5.3 | 33.0 |
| • SMEs | % YoY | Mar23 | 27.6 | 30.1 | 14.2 | 17.4 | 39.6 | 38.3 | 29.5 | 7.6 |
| Companies' price expectations ³ | Balance of responses, SA | May23 | 16.5 | 21.4 | 19.1 | 23.9 | 16.0 | 16.0 | 17.0 | 16.4 |
| Business Climate Index | pp YoY | May23 | 11.1 | 10.8 | 12.8 | 16.3 | 10.1 | 12.6 | 13.4 | 11.7 |
| • Current estimates | pp YoY | May23 | 12.0 | 12.8 | 13.5 | 19.0 | 10.8 | 13.9 | 15.1 | 14.9 |
| • Expectations | pp YoY | May23 | 10.2 | 8.5 | 12.0 | 13.2 | 9.3 | 11.2 | 11.4 | 8.2 |

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

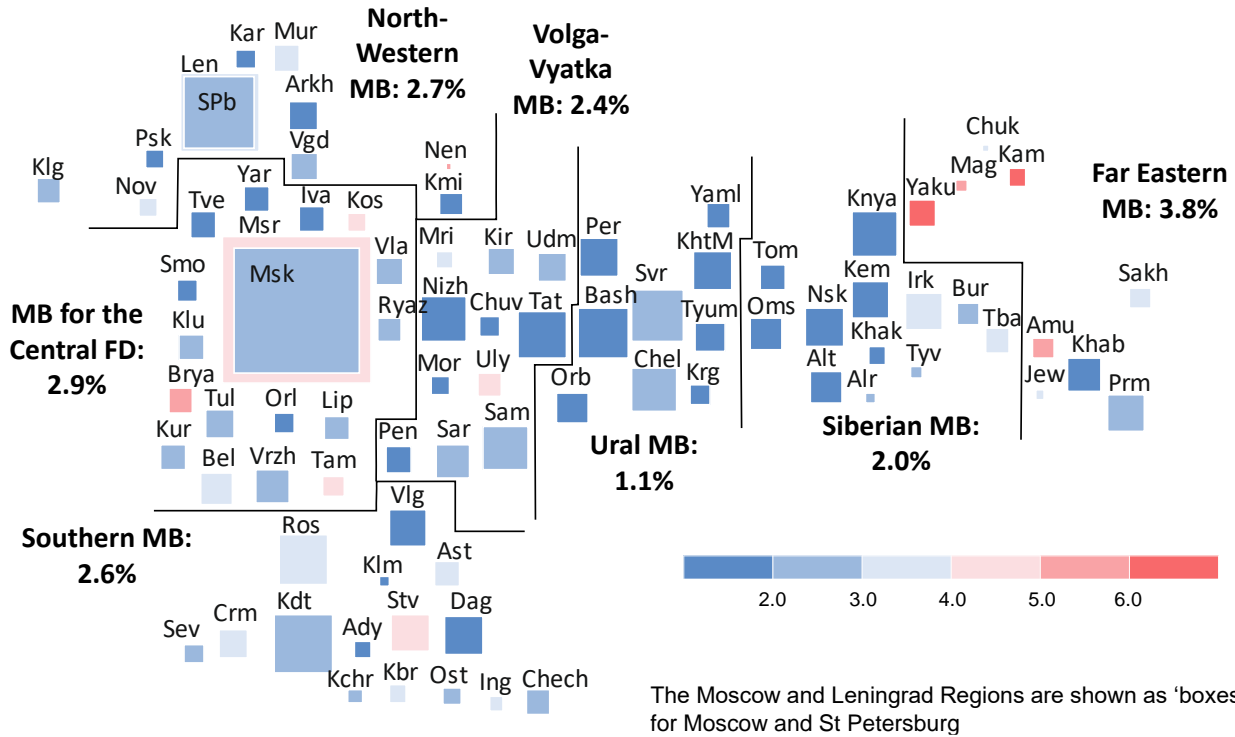
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by 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 April 2023, % on the same month last year

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



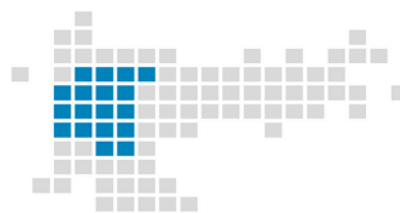
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Source: Rosstat.

| | | | | | |
|------|--|------|----------------------------------|-------|--------------------------------------|
| Ady | Republic of Adygeya | Kos | Kostroma Region | Sam | Samara Region |
| Altt | Altai Territory | Knya | Krasnoyarsk Territory | Sar | Saratov Region |
| Altr | Altai Republic | Kdt | Krasnodar Territory | Sakh | Sakhalin Region |
| Amur | Amur Region | Crm | Republic of Crimea | Svr | Sverdlovsk Region |
| Arkh | Arkhangelsk Region (excl. Autonom. Area) | Kur | Kursk Region | Sev | Sevastopol |
| Ast | Astrakhan Region | Krg | Kurgan Region | Smo | Smolensk Region |
| Bash | Republic of Bashkortostan | Kchr | Karachay-Cherkess Republic | SPb | Saint Petersburg |
| Bel | Belgorod Region | Len | Leningrad Region | Stv | Stavropol Territory |
| Brya | Bryansk Region | Lip | Lipetsk Region | Tam | Tambov Region |
| Bur | Republic of Buryatia | Mag | Magadan Region | Tat | Republic of Tatarstan |
| Vla | Vladimir Region | Mri | Mari El Republic | Tve | Tver Region |
| Vlg | Volgograd Region | Msr | Moscow Region | Tom | Tomsk Region |
| Vgd | Vologda Region | Mor | Republic of Mordovia | Tul | Tula Region |
| Vrzh | Voronezh Region | Msk | Moscow | Tyv | Republic of Tyva |
| Dag | Republic of Dagestan | Mur | Murmansk Region | Tyum | Tyumen Region (excl. Autonom. Areas) |
| Jew | Jewish Autonomous Region | Nen | Nenets Autonomous Area | Udm | Udmurt Republic |
| Tba | Trans-Baikal Territory | Nizh | Nizhny Novgorod Region | Uly | Ulyanovsk Region |
| Iva | Ivanovo Region | Nov | Novgorod Region | Khab | Khabarovsk Territory |
| Ing | Republic of Ingushetia | Nsk | Novosibirsk Region | Khak | Republic of Khakassia |
| Irk | Irkutsk Region | Oms | Omsk Region | KhtM | Khanty-Mansi Autonomous Area – Yugra |
| Klm | Republic of Kalmykia | Orb | Orenburg Region | Chel | Chelyabinsk Region |
| Klu | Kaluga Region | Orl | Orel Region | Chech | Chechen Republic |
| Kam | Kamchatka Territory | Ost | Republic of North Ossetia–Alania | Chuv | Chuvash Republic |
| Kar | Republic of Karelia | Pen | Penza Region | Chuk | Chukotka Autonomous Area |
| Kbr | Kabardino-Balkar Republic | Per | Perm Territory | Yaku | Republic of Sakha (Yakutia) |
| Kem | Kemerovo Region – Kuzbass | Prm | Primorye Territory | YamI | Yamalo-Nenets Autonomous Area |
| Kir | Kirov Region | Psk | Pskov Region | Yar | Yaroslavl Region |
| Klg | Kaliningrad Region | Ros | Rostov Region | | |
| Kmi | Komi Republic | Ryaz | Ryazan Region | | |

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity in the macro-region recovered. However, in the first half of May, demand for certain goods and services was muted because of the partial cancellation of holiday events. Households retained a rational approach to purchasing. Moderate estimates of demand held back an increase in price expectations. Volumes of commissioned housing and current construction declined given the subdued demand for new construction. Furniture production recovered, adapting to the new conditions. The implementation of infrastructure projects supported demand in the construction materials market.

CONSUMPTION AND INCOMES. In April 2023, consumer demand continued to recover. As new shops opened instead of the brands, which exited the Russian market, the number of visitors to the shopping malls based in capital cities increased. Demand for domestic tourism and public catering services is growing. A major chain of fast food restaurants expects that the number of visitors will recover to the level of previous years in the next few months. Households increasingly often opted for low-cost travel, e.g. by car and without hotel reservations. The demand for non-food goods is recovering. According to the survey, the proportion of respondents who made large-value purchases (e.g. household appliances and furniture) in the last three months increased. There was an increase in demand for private brands of retail chains. In the first half of May, demand for hospitality services, tours and related goods was more moderate than in April due to more expensive air fares, partial cancellation of holiday events in the regions and termination of the tourist cashback programme.

PRICES. In April, annual inflation in the macro-region continued to decline because of the last year's high base, whereas monthly price growth (seasonally adjusted) gradually accelerated. Fruit and vegetable prices resumed growth due to increased sales of more expensive imported goods, while a renewed increase in meat prices was due to a higher than usual demand before the May holidays. An increase in the prices for used passenger cars was driven by a higher demand. Rosstat's weekly data indicate that price growth picked up in May due to vegetables and meat products as well as more active domestic tourism. The rise in companies' price expectations slowed in May because of more tentative estimates of demand in most sectors, but remained above pre-pandemic levels.

MONETARY CONDITIONS AND BANKING SECTOR. In March, the corporate loan portfolio continued to grow. A material contribution is made by banks' project finance in manufacturing industry. In the next few months, banks expect an increase in companies' demand for loans. The growth of retail loan portfolio picked up in March and retained its pace in April. This trend was typical both for consumer and mortgage segments. Amid the improvement in conditions for IT-mortgages since February, there remained high demand for it, especially in the capital region. An increase in the issuance of car loans due to the higher supply of new cars supported consumer lending. In March–April, household ruble funds held with banks increased both in current accounts and term deposits.

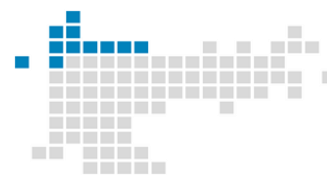
HOUSING MARKET. Over the first four months of 2023, Central Russia saw a decline in housing commissioning compared to the same period of the previous year mainly due to the Moscow Region.

The decisive factor was a decrease in the commissioning of private houses after a surge last year, when the construction of houses launched earlier, including those supported by the rural mortgage programme, was finished. Over the last three months, volumes of current construction in the macro-region have been slightly lower than last year. This decline was registered in most regions, with the most marked change being in the Moscow, Ryazan and Yaroslavl Regions. The key reason was the restrained demand for new housing due to high prices. The percentage of unsold apartments in new buildings and the number of offers remain at the maximum levels seen in the last three years. At the same time, price conditions for secondary housing in cities and private houses in the suburbs became more appealing amid the development of mortgage for individual housing construction. In the macro-region as a whole, the pace of price growth in the primary and secondary housing markets slowed down over the year, whereas in Moscow prices decreased. The tightening of Bank of Russia regulatory measures with regard to mortgage loans with close-to-zero interest rates leads to more balanced and transparent prices in the housing market. Family and subsidised government mortgage programmes continue to stimulate demand.

FURNITURE MANUFACTURE. Following a considerable drop in output in 2022, in 2023 Q1, furniture manufacture in the macro-region recovered almost to the level of early 2022. Businesses are expanding their product ranges after the departure of foreign companies to fill empty niches. Low-cost modular furniture is in demand. In Vladimir, a manufacturer has increased the supply of upholstered furniture to the market and plans to open a hypermarket in the summer of 2023. Enterprises are redirecting their exports from the European to Asian markets. In Voronezh, a large manufacturer plans to open showrooms in Asian and Middle Eastern countries this summer. There remain problems with logistics, dependence on imported raw materials (including metal fittings), a need to adapt technological processes for the use of components and materials from friendly countries. In Smolensk, an enterprise changes completely its technological process to use fittings from Asian countries. Import substitution partly compensates for the shortage of materials. A Lipetsk-based company found domestic equivalents of furniture varnishes. The first quarter saw the ongoing reduction of consumer prices, which started last summer to stimulate demand.

CONSTRUCTION MATERIALS MARKET. Domestic producers and companies from friendly countries replace companies that left the market in 2022. In 2023 Q1, the output of paints, varnishes, steel pipes, and building metal structures in the macro-region exceeded the level of the same period last year. In spring 2023, the Tula Region and Moscow launched first Russian plants to produce polymer pipes and ventilation systems, which used to be imported. The industry is supported by regional authorities. As part of large-scale investment projects' implementation, the Moscow government leased a land plot to an investor for the production of import-substituting construction materials. This year, the implementation of infrastructure projects will expectedly increase the supply of, and demand for, construction materials.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



In April – first half of May, consumer activity in the macro-region slightly improved. Passenger traffic carried by the main means of transport increased due in part to growth in domestic tourism. There was noted a revival in the retail lending segment. The number of orders in civil shipbuilding is increasing. Various projects, including manufacture of clothing, are being implemented as part of import substitution. Businesses' price expectations edged up as a result of rising costs.

CONSUMPTION AND INCOMES. In April – first half of May, consumer activity in the North-West edged up compared to the beginning of the year. Assessments of current sales by retailers improved in May. The macro-region opened clothes shops offering new brands to replace earlier departed foreign companies. In April, there appeared two new food halls in Saint Petersburg, with one more expected in summer. Several regions recorded increases in the sales of new and used passenger cars. At the same time, some retailers noted that households continued to opt for purchasing cheaper goods. Consumer activity was supported by an increase in tourist traffic in some regions in the North-West during the May holidays.

PRICES. In April, annual inflation in the North-West continued to slow down under the influence of the high base effect of the previous year. Monthly price growth (seasonally adjusted) also edged down in April vs March. Food prices decreased in annualised terms due to the expansion of supply of meat and dairy products. In particular, lower prices for dairy products were reported by the producers from the Arkhangelsk, Vologda and Leningrad Regions. According to weekly data, food prices continued to decline in the first half of May. In May, businesses' price expectations were slightly up in the macro-region, reflecting the increase in costs, including wages. Price expectations were rising in agriculture, trade, transportation and storage, and construction; but they were declining in industrial production and services.

MONETARY CONDITIONS AND BANKING SECTOR. Annual growth of the corporate portfolio in the macro-region was higher than in Russia in general. The survey of credit institutions in the North-West registered an ongoing demand for loans from large businesses, despite some tightening of requirements for this category of borrowers. In March and April, there was a revival in the retail lending segment. In Saint Petersburg, there was a robust increase in demand for IT-mortgages due to the improved conditions of the programme. April saw a higher inflow of household funds into banks' current accounts and term deposits.

SHIPBUILDING. Import substitution is a key driver underlying the development of the shipbuilding industry in the North-West. At present, Saint Petersburg enterprises are developing domestic alternatives to shipboard equipment. The number of orders for the construction of various types of ships is rising. For example, the first high-speed passenger catamaran was launched in Saint Petersburg. It will be engaged in passenger transportation to Kronstadt already in June. Moreover, the Saint Petersburg shipyard has signed a contract to build a large research vessel to work in the Arctic and

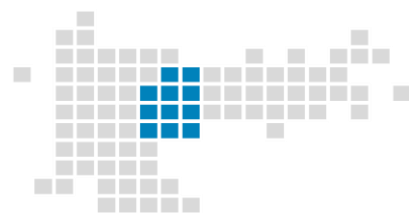
Antarctic. Demand for ship repairs has picked up significantly. In the Arkhangelsk Region, shipbuilding and ship repair companies implement investment projects aimed at the modernisation and development of existing capacities. In the coming two–three years, the region plans to construct floating docks.

PASSENGER TRAFFIC. The expansion of domestic tourism produced a considerable effect on passenger traffic in the North-West. In January–April, railway passenger traffic increased compared to the same period of the previous year. The number of domestic and international flights from the local airports is growing and new destinations are opening. For example, in 2023 Q1, the number of passengers handled in Pulkovo airport was up by 15% in annualised terms. In February, Pulkovo resumed flights to China and plans to launch flights to Iran at the beginning of June. Increase in tourist traffic leads to the renovation of transport infrastructure. In Pskov, plans are underway to create a unified transport hub to handle arrivals and departures of passengers traveling by bus and railway transport. The macro-region is also developing river transport. In Saint Petersburg, the growing demand for boat trips led to the appearance of new excursion routes and an increase in the number of trips. In May, the Novgorod Region plans to launch a new regular water route which will become a part of the tourist trip from the region to Saint Petersburg.

CLOTHING MANUFACTURE. In January–March, the volume of clothing production in the North-West was practically three times higher than in the same period last year. This was mainly due to the production in Saint Petersburg, the Leningrad and Pskov Regions. The production growth was additionally influenced by the departure of a number of foreign companies from the market, and also by the measures taken by the government to support clothing manufacturers. For example, the St Petersburg Design project supporting designers was prolonged. The project helps local manufacturers to open their outlets in the city's shopping malls on preferential conditions. However, businesses are noting rising costs, including labour costs. Manufacturers from several regions report shortages of qualified staff. At the same time, businesses demonstrate improved short-term expectations of production and demand.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



In April – first half of May, retail activity continued to increase, while consumer price growth remained subdued overall. Retail lending activity picked up, as household spending continued to rise. In the housing market, demand remained moderate. The effect of staff shortages on output expansion potential in some sectors became more serious. In the agroindustrial complex, an increase in the supply of certain products led to a decline in prices for them.

CONSUMPTION AND INCOMES. Consumer activity grew considerably in March. According to high-frequency data, consumption continued to grow in April – first half of May. Retailers' demand expectations for the coming months declined slightly, but were still high. As estimated by car dealers, there was an increase in the sales of new and used cars. Additionally, April–May saw more visitors to shopping malls and increased sales of clothing and footwear. The revival in traffic was also assisted by the launch of shops under new names selling the brands which left the market. However, there was no significant increase in demand for households' electronics and appliances. Businesses noted that the propensity of customers to purchase cheaper goods was still in place. Despite the generally positive sales trends, retailers did not report any major changes in consumer behaviour.

PRICES. Annual inflation continued to slow in April. Seasonally adjusted monthly price growth rates were below 4% in annualised terms. This was mainly conditioned on lower food prices, including eggs, dairy products, pasta and cereals, confectionery, tea and coffee, as compared with March. The seasonally adjusted monthly price growth for services was elevated, mainly due to the dynamics of prices for foreign tourism and passenger transport services. The segment of non-food goods demonstrated a decline in prices for household electronics and appliances.

LABOUR MARKET. Unemployment in the macro-region continued to decrease, while labour demand rose. In some cases, staff shortages experienced by some companies prevented them from achieving planned output targets. For example, an agricultural company, which implemented an investment project to expand its greenhouse area ahead of schedule, was planning to launch it in the coming months, but so far the company failed to hire the required number of workers. Apart from increasing wages and introducing additional shifts, companies resorted to various ways to solve this problem. A manufacturer of metal products had to outsource part of its assembly operations. A chemical company increased the number of HR-managers in order to speed up new hires. In early May, the number of part-time employees in most Volga-Vyatka regions was lower than in the same periods of 2018–2019. In particular, a reduction in the number of idle or part-time employees was reported by enterprises in the automobile industry, including one of the macro-region's auto groups. Another company that is expanding its production of car components also had an ongoing need for staff, as some of its workers found other employment during the downtime last year.

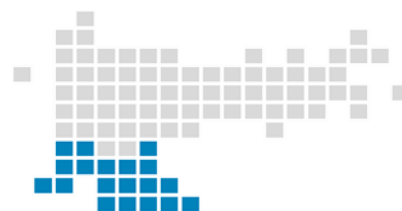
MONETARY CONDITIONS AND BANKING SECTOR. The annual growth in the corporate loan portfolio continued in March. The outcomes of the 2023 Q1 survey of credit institutions showed an improvement in their expectations of business demand for credit in the coming months. The growth of consumer lending picked up in March to significantly exceed the levels of recent months, and

remained elevated in April, whereas average market rates decreased. In the mortgage lending market, the trends remained unchanged: the growth of the portfolio accelerated, despite a slight increase in rates. Concurrently, one to two quarter-ahead demand for mortgages will be relatively low according to the survey of credit institutions.

AGROINDUSTRIAL COMPLEX AND FOOD INDUSTRY. Since the middle of 2022, annual growth in milk production accelerated and this trend continued at the beginning of this year. This was in part helped by the implementation of investment projects aimed at expanding production and increasing its efficiency. The macro-region constructed several dairy farms. At the same time, milk producers noted a reduction in the purchase price of milk. Some industry representatives reported that purchase prices approached costs, and some milk producers had excessive stocks. A number of surveyed enterprises associated this with a lower demand for dairy products. But an important factor underlying the sharp competition could have been the expansion of production capacity in this sector, which outpaced the growth of demand. Grain reserves accumulated by agricultural organisations were higher than usual amounts at this time of year. The bumper harvest of 2022 had a significant impact on grain prices: agricultural producers reported that selling prices were close to, or even lower than, production costs. Some farmers postponed the sale of grain in anticipation of higher prices. However, agricultural producers of the macro-region are implementing several investment programmes aimed at increasing storage facilities. In the macro-region, construction of several granaries was launched in spring, and several more projects are planned for the summer period.

HOUSING MARKET. In April, the floor area of housing under construction continued to increase and the number of launched projects was slightly above the level of previous years. Some projects were delayed or cancelled: for example, a large federal developer announced the freezing of several projects and refused to launch new ones in one of the Volga-Vyatka regions. According to market representatives, demand for real estate remained moderate. The proportion of unsold apartments in houses under construction was still high. In order to stimulate sales, developers offered discounts, gift certificates to furniture shops, cashback, to name a few. As reported by some companies, weak demand limits the pass-through of rising costs to housing prices.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In April – first half of May, recovery in consumer activity in the macro-region somewhat slowed compared to March, though remaining higher than across the country as a whole. Cargo turnover at southern ports increased, mainly due to dry cargo handling. Engineering companies reported an increase in orders for industrial machinery, including those meant for import substitution. Agricultural companies gave positive projections for the harvest of major crops and livestock production. Annual inflation was declining, due in part to increased food supply and cost reductions by some producers.

CONSUMPTION AND INCOMES. According to high-frequency data, in April – the first half of May, the recovery of consumer activity somewhat slowed compared to March, though remaining higher than in the country as a whole. Household consumer preferences continued to shift towards the low-cost segment. In Sevastopol, chain retailers noted that, despite the increase in prices for fast-moving consumer goods, the average bill remained unchanged. The popularity of on-line shopping and express delivery services grew. According to expert assessments, in the first quarter, Rostov-on-Don, Volgograd and Krasnodar were among the top five million-plus cities with the highest annual growth in spending on marketplaces. Given the elevated demand for labour, employers continued to increase wages. A recruiting agency in Stavropol reported that a deficit of qualified staff was preventing some manufacturing companies from increasing output.

PRICES. In April, annual inflation slowed, due in part to an increase in the supply of some food products and a reduction in animal feed costs. A producer of dairy products in the Republic of Crimea cut costs and raised output as a result of the implementation of investment projects for the reconstruction of production lines and replacement of outdated equipment, and also due to the increased supply of raw milk from neighbouring regions. Concurrently, monthly inflation (seasonally adjusted) remained unchanged, chiefly because of the acceleration of price growth for some services. For example, mobile operators in two major regions (the Volgograd and Rostov Regions) significantly increased their tariffs in April as a result of the growth of network maintenance costs. However, according to the survey of businesses, price expectations declined in May, in particular, in construction, and mining and quarrying.

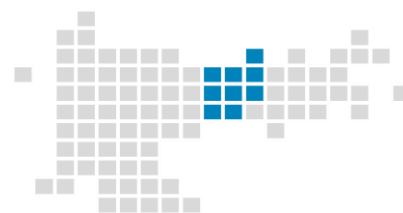
MONETARY CONDITIONS AND BANKING SECTOR. According to high-frequency data, business demand for credit remained virtually unchanged in April compared with the previous month. Lending trends were mostly supported by the demand from wholesale and retail companies and the manufacturing industry. In the North Caucasus, there was an increase in the amount of investment loans in agriculture and manufacturing. Credit institutions noted the recovery in demand in the retail lending segment, including due to car loans. In April, as reported by a large car dealer, new car sales in the South were up by 10% compared with the previous month, and the share of transactions financed by borrowed funds increased by six percentage points since the beginning of the year.

AGRICULTURE. The sowing campaign continues in the South, with its pace exceeding that of the previous year amid a warmer spring. The condition of winter crops is assessed as good and satisfactory. The gross yield is expected to be below the 2022 record, but above the multi-year average levels. The growth of greenhouse vegetable production is largely conditioned on the implementation of investment projects. In June, the Kabardino-Balkar Republic plans to launch the first stage of the greenhouse complex, the products of which will be supplied to the regions of the North Caucasus and Central Russia. Producers of the Republic of Adygea started harvesting crops grown with the use of domestic seeds. According to their data, the quality is not worse than the quality of vegetables grown using imported seeds. Livestock breeding is sustainably developing in the South. In the Rostov Region, a poultry farm increased its hatching egg production capacity. Agricultural producers plan to increase the number of cattle in the Republic of Kalmykia and to launch an ultra-pasteurised milk plant in the Republic of Dagestan in 2023.

MACHINE BUILDING. In April and May, the situation in the various machine-building segments in the South was diverse. On the one hand, companies noted a moderate demand for agricultural machinery. This was largely conditioned on lower incomes of farmers following a drop in domestic grain prices. A large trading company in the Volgograd Region reported a decline in the sales of foreign machinery because of the decreased profitability of crop producers. A similar situation was reported by the producer of combine harvesters and tractors from the Rostov Region. According to this company, farmers slowed down the rate of machinery renewal: the demand for self-propelled machines dropped, which was in part associated with the reduced funding of the state support programme. On the other hand, in the industrial engineering sector, sales were supported by domestic demand, which grew after the suspension of deliveries of several foreign brands. In this situation, a filter equipment manufacturer is going to double its output this year, while a machine-tool builder in the Krasnodar Territory plans to increase shipments five-fold year-on-year by expanding its product range and launching a new product line.

CARGO TRANSPORTATION. The redirection of trade flows helps increase supplies through Southern seaports. In April, cargo turnover in the Azov, Black and Caspian Sea basins increased by almost a third compared to the previous year. The turnover in the latter grew mainly due to dry cargoes. At the same time, Caspian Sea ports have difficulties in handling the growing cargo flow along the North–South corridor due to the lack of berths, terminals, cranes and other infrastructure facilities. At present, there is an intensification of transit traffic through road border crossing points. This is associated with increased cargo traffic from Asian countries.

BANK OF RUSSIA URAL MAIN BRANCH



In April – the first half of May, the recovery in consumer activity slightly slowed down. Demand for consumer and mortgage loans was up. Machine-building enterprises increased their output and expanded the production of new types of machinery and equipment. Housing construction in the Urals was growing at a faster rate than the national average. In the labour market, competition intensified among employers from different sectors.

CONSUMPTION AND INCOMES. In April, consumer activity continued to recover, and in the first half of May, this trend slowed. According to shopping malls, customer traffic continued to grow (compared to 2022, the increase was from 5% to 20% in some shopping malls). One of the largest shopping malls of the Urals is going to open a shop of Russian-made goods on the available shopping space, which fell vacant after foreign brands left the market. Consumers increasingly often opted for online shopping format, including for the purpose of saving, and retail chains increased the intensity of their marketing campaigns. The increase in consumer spending was mainly reflected in the volume of purchases in supermarkets and public catering outlets, as well as purchases of tourism-related services (including air and railway tickets). Demand for tours to the South of Russia was higher than usual. Some accommodation facilities stopped bookings because of full occupancy. In general, the saving behaviour model was maintained.

PRICES. Annual inflation in the Urals declined in April. Monthly inflation (seasonally adjusted) in annualised terms increased in April, but remained below 4%. The ruble appreciation of the recent months has so far had little effect on inflation amid considerable inventories of many goods formed last year. The seasonally adjusted price expectations in trade, as in the economy as a whole, edged down, but remained elevated.

LABOUR MARKET. According to job search services, in April, the demand for labour continued to grow in the Urals, whereas the number of job seekers decreased. This increased the competition among employers and intensified the shortage of staff not only in the manufacturing sector but also in such sectors as trade, tourism and hospitality, transport, logistics, construction, and medicine. To attract staff, some businesses began to offer work on shift rotation and more comfortable conditions for relocation (for example, accommodation, travel reimbursement, training in new skills), and raised wages. In addition to the manufacturing industry, most marked wage increases were in agriculture, hospitality sector, and construction. These were conditioned on the recovery of consumer demand.

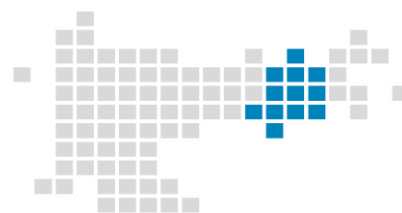
MONETARY CONDITIONS AND BANKING SECTOR. In April, lending conditions in the corporate segment were virtually unchanged. Business demand for loans continued to expand. The largest proportion of new loans continued to be represented by working capital loans. According to real-time data, the proportion of loans for investment purposes increased in total business loans. Bank lending conditions for households remained generally unchanged. Activity in the retail lending market grew both in mortgage and consumer segments. In April, the inflow of households' funds into term deposits slightly picked up after a slowdown in March (seasonally adjusted) though the yield on deposits remained unchanged.

MACHINE BUILDING. Ural machine-builders posted an increase in output. Following the withdrawal of some foreign companies from the Russian market, the demand for the products of machine-building enterprises (electronic and measuring equipment, machine tools, and specialised machinery) increased. In 2023, a plant in the Sverdlovsk Region (producing freight handling machinery and compressor stations) is planning to build up its production capacity by 20-30%. The Chelyabinsk region launched the production of cargo lifting equipment, turbochargers for diesel engines, and construction and railway equipment, and also high-speed lifts that have no equivalents in Russia and special machines for all-season maintenance of airports to replace earlier imported ones. Moreover, the Chelyabinsk Region started the construction of a plant to produce industrial robots-manipulators (to be commissioned in 2024 Q1). In April, the region's first fast charger station for electric vehicles was launched in the Orenburg Region. Plans are underway to supply at least 50 such facilities to the domestic market by the end of this year. The Republic of Bashkortostan plans to launch a grain processing plant in June 2023.

HOUSING CONSTRUCTION. In April, the volume of housing under construction in the Urals grew at a faster pace than the national average. The increase in the number of new projects and the floor area of apartment buildings in the macro-region was a result of the active implementation of incentives by JSC DOM.RF, transition to comprehensive development, launch of projects by large federal developers in the Sverdlovsk and Tyumen Regions. In Bashkortostan, the pool of available land to expand residential construction was replenished in April, work began to create roadmaps for each developer, and to arrange new construction sites with ready-made infrastructure as part of federal programmes in order to increase the volume of construction. Amid recovering demand, prices in the primary housing market resumed growth month-on-month in March and April. This demand was supported by government subsidised mortgage programmes. This year, the Family Mortgage was in a greater demand than the subsidised mortgage at 8% per annum. In March–April, the volume of the IT–Mortgage increased markedly due to the improvement of its conditions. One of the largest developers in the Orenburg Region expects further growth in demand for apartments amid a record increase in mortgage applications in April. Residents of the Urals tended to take out mortgage loans to buy housing in the secondary market, also due to lower prices. For example, in Chelyabinsk, in April, there was noted the highest share of mortgage transactions with secondary real estate among the top 10 Russian regions by the volume of new mortgage loans, and it was noticeably higher than the Russian average. This was translated into price dynamics: in March–April, the monthly increase in housing prices in the secondary market outpaced price growth in the primary market in the Urals and was higher than the Russian average.

BANK OF RUSSIA SIBERIAN

MAIN BRANCH



In April – the first half of May, economic activity in Siberia improved compared with the beginning of this year. Coal companies and metallurgists increased output. Chemical companies found new markets and restored their output to the levels of early 2022. Consumer demand recovered, though remaining subdued. Retail lending grew at a moderate pace and household propensity to save remained high.

CONSUMPTION AND INCOMES. Tourist flow during the May holidays turned out to be lower than the level of the previous year and business expectations. In the opinion of the owners of Altai and Baikal hotels and tourist facilities, the abnormally cold spring and improved opportunities to spend vacations abroad could be the reasons for that. The situation in public catering remained favourable: the increase in demand during holidays was recorded in many regions of Siberia. Krasnoyarsk and Novosibirsk continued to open new outlets, including those incorporated into country-wide restaurant holdings. Large shopping malls in Novosibirsk and Krasnoyarsk recorded growth in the number of visits for the first time during the year. New shops continued to open on the sites previously occupied by withdrawn western brands. Regional car dealers of the Irkutsk Region and the Republic of Buryatia reported an increase in the sales of Chinese cars and the expansion of their model range. As staff shortages intensified, the level of real wages in Siberia increased more than the national average.

PRICES. In April 2023, annual inflation slowed down mainly due to food price dynamics. Monthly price growth (seasonally adjusted) remained slightly below 4% year-on-year. Production capacity expansion led to a deceleration in price rises for dairy and meat products. The commissioning of new poultry farms in the Altai Territory helped increase poultry production by a third in annualised terms. The expansion of domestic production contributed to a slowdown in the growth of prices for perfumes and cosmetics, liquid detergents, and also caused a fall in clothing prices. In the coming three months, companies in most sectors, other than services, expect a slowdown in price growth, explaining it by stabilisation in the cost of raw materials and components.

MONETARY CONDITIONS AND BANKING SECTOR. In April–May 2023, banks reported a continued steady demand for loans from businesses. In the retail lending segment, demand for consumer and car loans picked up amid a slight easing of pricing conditions. The underlying factor for this was interbank competition for reliable borrowers. Appetite for subsidised government programmes remained high in the mortgage segment. Households still prefer to save. At the same time, households opted to keep funds in the most liquid form of savings, i.e. in current accounts. Major banks began offering higher rates on longer-term deposits. Banks expect an increase in the inflow of household funds in Chinese yuan due to more active shopping and leisure travel to China by the residents of the neighbouring regions due to the lifting of Covid restrictions and the opening of borders. In addition, yuan deposit rates are higher than rates on deposits in other foreign currencies.

COAL MINING. In March–April 2023, the situation in Siberian coal production improved. Most producers reported a recovering growth in coal production and deliveries, including coal exports. In

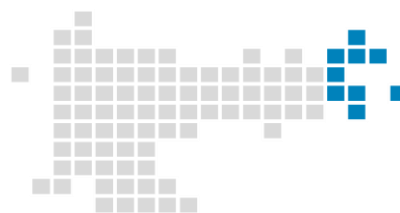
April, coal mining in the country's largest coal-producing region, Kuzbass, increased by 5% year-on-year. That said, the increase in exports was mainly reported by the Siberian producers of metallurgical coal, with Asia being the priority destination. Coking coal is more marginal compared to steam coal, and its supplies are growing primarily amid the limited throughput capacity of the transport infrastructure. A major Siberian producer of steam and metallurgical coal announced that the Asian market became its priority. The company plans to triple its exports to this market in 2023 compared to the previous year.

NON-FERROUS METALLURGY. In March–April 2023, Siberian producers of non-ferrous metals reported an increase in the output of aluminium, copper and platinum group metals. Decrease in nickel production was temporary and related to the short-term routine maintenance of the main equipment. The industry leaders noted that the first quarter results exceeded planned levels. The Siberian companies preserved their production and investment plans in full. However, they might be adjusted, as the Western countries imposed embargo on the imports of non-ferrous metals from Russia (aluminium, nickel, copper, etc.). In May, such embargo was announced by the UK. Earlier in March–April, the US imposed protective duties on Russian aluminium. In this case, the Siberian metallurgists will have to reconsider once again their sales channels and redirect some part of the supply to the domestic market. They are already expanding the range of alloys, addition alloys and metal-containing products that are important for Russian automobile industry and other production segments (import substitution).

CHEMICAL INDUSTRY. In March–April 2023, Siberian chemical companies informed that the effects of tighter sanctions had largely been offset. Export-import flows were redirected to Asia and the CIS, with increasing supplies to the domestic market. The 2023 plans of businesses were compiled with due consideration of new markets. In March, synthetic rubber production in the macro-region increased by almost a quarter (22% YoY). Industry representatives noted that the ban on the EU purchases of rubber from Russia would not lead to a contraction in production in Siberia. Asia has always been the main export market for Siberian businesses. Notwithstanding the fact that the volume of exports to European countries is low (just a few per cents) at the moment, an alternative has been found. A major polymer manufacturer reported a higher demand for its products from Russian companies as part of the import substitution. In 2023, the company will increase output of base products via the modernisation of production facilities, which will be completed in summer. A major fertiliser producer informed about a stable demand for its products. In 2023, the company plans to expand investment in the reconstruction and modernisation of existing workshops, as well as the construction of new ones.

BANK OF RUSSIA FAR EASTERN

MAIN BRANCH



In the second half of April and the first half of May, consumer activity in the macro-region edged up compared to March. Companies' price expectations grew. Lending volumes were up. Demand for transport infrastructure in the Far East remained high due to higher exports of coal, oil and petroleum products, as well as imports of containerised cargoes. Gas producing companies and wood enterprises, on the contrary, reported a reduction in exports to Asia due to the deteriorating market environment.

CONSUMPTION AND INCOMES. In the second half of April – the first half of May, consumer activity in the macro-region revived somewhat but remained subdued. An increase in demand for services became the main driver. Public catering enterprises of the Khabarovsk Territory reported a higher interest in the segment of inexpensive cafes and fast-food outlets. During the May holidays, demand for the services of tourist facilities and boarding guest houses in some regions of the Far East was higher than in 2022 and 2021. In a number of regions of the Far East, households continued to adhere to the savings model of behaviour and avoided expensive purchases. Construction materials shops in Yakutia reported an expansion in the range of Russian-made goods, alongside a restrained demand, especially for premium goods. According to the survey, the short-term demand expectations of retailers and service providers somewhat deteriorated in May compared to April.

PRICES. Annual inflation declined in April. Monthly price movements (seasonally adjusted) slowed down slightly. The main contribution was made by a decline in the growth of services prices. In April, travel to Asian countries became cheaper after a considerable surge in prices in March, and the growth of prices for health resort services slowed down. Due to restrained consumer demand, prices for a number of household appliances and computer equipment continued to decline. A representative of the regional retail network reported price cuts by individual Russian manufacturers of cosmetics, household chemicals in connection with the replacement of imported components in their production for domestic ones. In May, business price expectations increased, with the most notable change posted by retail, transportation and storage, and construction. The major factor was the acceleration of growth in costs for raw materials and components. In May, developers and construction materials traders informed about growth in delivery costs, higher prices for a wide range of goods (crushed stone, cement, metal products, etc.), and further price increases planned by suppliers.

MONETARY CONDITIONS AND BANKING SECTOR. Bank lending conditions in the corporate segment remained unchanged in April–May compared with the first quarter. In March, growth in corporate lending picked up due to the issuance of large loans for investment purposes in mining and quarrying, and construction. In the SME segment, there was an increase in demand for working capital loans. In the consumer segment, the growth of outstanding loans in April slowed compared to March. A regional credit institution noted growing interest in car loans. In April–May, demand for mortgage remained high due in part to individual housing construction. In May, several banks reported an increase in interest rates on market-based mortgage programmes. In April, there was an

ongoing growth of household funds in both current accounts and term deposits, the rates on which were raised by banks.

LOGISTICS. In April, freight turnover in Far Eastern ports was high due to coal and container cargo handling. The demand for petroleum products transshipment at the macro-region's terminals increased as a result of the reduction of petroleum product exports to Europe. In order to increase oil exports through the Far East, a port railway station was reactivated in the Primorye Territory in April. In April–May, industry representatives continued to expand the geography of sea container lines and build up production capacity. A major transport company added a new container vessel to its fleet and increased its container park. Asian carriers supplied five new container ships to run on the routes going through Far Eastern ports. In January–April, cargo traffic through the Far Eastern border checkpoints was up by 11% year-on-year, with imports increasing by almost 50%. In May, in order to increase the exports of iron ore and coal, the railway bridge in the Jewish Autonomous Region was switched to a round-the-clock mode of operation. Due to a high utilisation of motor roads, there was reported a high demand for shipments by river routes.

MINING AND EXPORTS OF FUEL AND ENERGY RESOURCES. In April–May, demand from Asian countries for oil supplies from Far Eastern ports remained high. Shipments of Sakhalin and East Siberian blend increased by 10% in April compared with March. Petroleum product exports from the terminals in the Primorye Territory grew by 8%, including due to a reduction in Asia's own production during the period of oil refinery repairs. Near-term output growth will be restrained by scheduled repairs at one of the major production facilities, which will be performed without the engagement of foreign contractors. In April, exploration of a gas field was resumed in the Khabarovsk Territory. Coal production in the macro-region remained virtually unchanged in April compared with March but was 1.5 times higher than a year ago. Coal shipments to Asia continued to grow despite lower prices. In May, prices for this raw material in the Asian market dropped to a two-year low.

LOGGING AND WOOD PROCESSING. In April, the macro-region's wood companies reported excessive stocks due to a weak demand in the Asian market. The utilisation rate of the logging capacity of an enterprise in the Khabarovsk Territory was only 60%. Exports were hampered by problems with rail shipments, which fell by almost a quarter in January–April year-on-year. A wood processing company noted that inventories in April exceeded the long-term average due to a lack of wagons for transporting finished goods. Representatives of the industry informed about their efforts to find new markets, as well as the creation of new high value-added production facilities to expand supply. In the Khabarovsk Territory, dried lumber production was launched in May, and a large wood-processing plant project is close to completion.

BOX 1

DOMESTIC TOURISM: TRANSFORMED DEMAND AND SUPPLY CAPACITY

In 2022 and early 2023, domestic tourism showed positive trends, as demand was gradually recovering after the COVID-19 pandemic on the back of a smaller range of available foreign destinations. The elevated demand for travel inside Russia was registered in all tourist destinations. The capacity of hospitality infrastructure was lagging behind the demand, however, which is evidenced by price dynamics. The tourist flow is expected to grow in summer 2023, with a gradual recovery of inbound travel.

EVOLUTION OF TOURISM SECTOR IN 2022–2023

Outbound tourism has been low since the beginning of COVID-19 in 2020. Concurrently, the number of outbound trips slightly increased relative to 2020 and 2021 (Chart 1). The most popular foreign destinations among Russian people still were Abkhazia, Turkey, the UAE, and Kazakhstan. The domestic tourism showed better trends. In 2022, the tourist flow inside Russia grew by 15% YoY compared to the previous year to reach 141 million trips. Notably, new regional routes and destinations have appeared, where the tourist flow is expected to remain high in the current year as well (Chart 2). The development of hotels and transport infrastructure gave an additional boost to the Republic of Daghestan, where the number of travellers rose by 44% YoY in 2022. The Altai Republic and Kamchatka are gaining popularity among tourists. The Krasnodar Territory, Central Russia and North-Western regions remain traditionally attractive amid the limited access to foreign beach resorts.

The domestic tourist flow is expected to go on growing in first five months to gain more than 10% YoY. In May 2023, the average occupancy rate of collective and individual accommodations (the CAs and IAs, respectively) will rise to 57%, which is 3.4 pp more than in May last year. Prior to the summer season, the booking rate for accommodation in July–August 2023 is already 50%, which is 3 pp more YoY.

In April, growth in prices for domestic tourism services was 12% YoY, noticeably surpassing headline inflation (2.3%) (Chart 3). Regions in Central Russia and the North-West recorded the highest price increases. According to industry representatives, the key drivers of price growth are still a stronger demand, especially in medium and low-cost segments, higher labour costs, a weaker ruble, and more expensive parallel imports of equipment and consumables. Notably, accommodation in the Republic of Crimea depreciated by 30% on average as compared to the previous year.

TRANSFORMED DEMAND FOR TRAVEL SERVICES

According to Rosstat data, demand for domestic travel has been in positive territory since the middle of the last year (balance of responses, % SA) (Chart 4). **The quantities of hotels' and specialised CAs' services are increasing.** Concurrently, passenger traffic is growing both between and inside regions. For instance, the Murmansk Region welcome tourists from Yekaterinburg, Ufa, and Krasnodar. The Siberian Belokurikha resort receives guests not only from nearby Novosibirsk and Kemerovo but also from the central part of Russia.

Historical sightseeing is gaining popularity. For example, the Volgograd Region became a very popular travel destination in Russia during the May holidays. The region welcomed nearly 190,000 tourists (a 5.6% increase YoY). The occupancy rate of hotels and other accommodations was 98% in Volgograd and 80% in the Volgograd Region.

There is a greater demand for medical tourism, especially bearing in mind that therapy in regional clinics is cheaper than in those based in capital cities. The number of such tourists in the Novosibirsk Region doubled in 2022 relative to the previous year. There are 12 federal clinics in the region.

Travel operators and hoteliers noted **a growing demand for medium and low-cost travels** since the last year. Business and culture travel to major cities or nearby areas, including by car, is becoming popular. That is why there is a high occupancy of glampings, campings, guest houses and country house hotels, car camping grounds and eco hotels in many Russian regions. In this regard, authorities in all federal districts provide various stimulus packages to support the arrangement of modular temporary accommodation. Medium and low-cost health resort services are also in high demand. This prompted a significant increase in the average daily spend per person (+34% in 2022 on 2019). Given that some travellers tend to opt for shorter and cheaper holidays, numerous operators start offering weekend trips. For example, there are two-day packages to the Belokurikha resorts in the Altai Territory. The number of such trips to Saint Petersburg and the Leningrad Region increased.

Demand in the luxury tourism sector is growing too. The shortage of luxury rooms in hotels in general spurred early bookings and a considerable rise in their prices.

ADAPTATION OF TOURISM SECTOR

A structural increase in demand is a powerful driver of growth in the supply of all types of tourism – historical, architectural, event, business, ecological, pilgrimage, ethnographic, recreational, and sports. Regional authorities and the Agency for Strategic Initiatives supported the development of new industrial travel routes in all districts. For instance, it is planned to arrange journeys to a large auto assembly plant in the Volga-Vyatka macro-region.

The Russian tourism sector quickly found alternatives to the major foreign booking service (77% of total sales) after its exit from the Russian market. It was replaced by domestic platforms and direct bookings on accommodation websites. The structure and channels of sales changed as well. As a result, cheaper direct bookings, including via mobile phones, accounted for a major share (80%) of all bookings.

The development of domestic tourism is still impeded by a **rather poor price to quality ratio of accommodation facilities**. Higher demand and, eventually, higher prices make it possible for businesses to generate more profits. For example, in 2022, return on sales of the CAs came in at 27.5% (+10 pp to the pre-pandemic level), while their number tended to increase by 3.9% a year on average. The most common accommodation is a room in a zero-star city hotel, the average size of which decreased by 2% over the year, however (Chart 5). Demand was also supported by travel cashback schemes. Some hoteliers managed to cut their costs thanks to a VAT exemption applicable to hotels commissioned after 1 January 2022.

Along with that, transport component accounts for a considerable portion in the cost of travel. That is why a special focus is on **solving transport accessibility issue**. Specifically, rail carriers plan to significantly increase the number of south bound trains in the Russian Federation in 2023 compared to 2022. Demand for flights to Sochi and Mineralnye Vody is expected to rise. Travel to the Kamchatka Territory may be supported by an agreement reached to provide discounts on flight

tickets included in the holiday packages. The number of flights is growing. Airports in the North-West and Siberia launch flights to new destinations. In the Rostov Region, a regional shipping company is being created to start operating this autumn. Special transfers and traffic routes are being arranged in Central Russia to deliver guests to such small towns as Suzdal, among others.

Better accessibility of tourist and transport infrastructure is in the scope of government subsidies and regional initiatives. There are various marketing and image campaigns being implemented to promote tourism in all federal districts. For example, the tourist brand of Khakassia – Land of Five Elements is actively promoted in the Republic of Khakassia. Moreover, regions develop their own bonus schemes. The Kemerovo Region offers a travel cashback for staying in ski resort hotels as part of the Kuzbass Citizen Card project. In the Murmansk Region, it is intended to expand functionalities of the Single Citizen Card. Mir card holders enjoy discounts and gifts in the Tula, Kaluga, and Orel Regions under the Tourist Welcome programme. In Moscow, there is an initiative to encourage elderly people to travel. **Tourism stimulus measures help build up investment in the sector through large-scale projects.** For instance, the most important project in the Krasnodar Region is the development of a tourism and recreation cluster in the city of Anapa. In the Far East, large investment tourism projects are implemented as part of the fast development areas and the Vladivostok free port projects (nearly 300 tourism projects in total). The most important project of the North-West is the development of a tourism and recreation cluster The Island of Forts in Kronstadt. The Urals is actively developing the Greater Urals multi-regional project, Siberia – the Manzherok year-round resort.

Various all-Russia events are instrumental in maintaining high tourist flow. For example, The Wonder of Russia competition is to take place in Yoshkar-Ola in summer 2023 as part of the Wonder Privolzhie tourism forum. The Samara Region will host the iVolga youth forum of the Volga Federal District. The celebration of the 300th Anniversary of Perm includes 16 large events: the Perm marathon and the One Run half-marathon, to name a few. A number of large-scale gastro festivals are planned to take place in the Kaluga Region. Volgograd will host the All-Russia festival of children's tourism TOGETHER.

THE IMPACT OF DOMESTIC TOURISM ON THE DEVELOPMENT OF RELATED SECTORS

The tourism activity boosts the expansion of related sectors: public catering, transport infrastructure, and entertainment. A 10%-growth in tourism services to households in 2023 Q1 caused a similar trend in public catering (10.7% YoY). Positive changes in public catering were recorded in many districts. The implementation of large-scale tourism investment infrastructure projects promotes the development of construction, logistics, and manufacturing sectors, and create additional jobs.

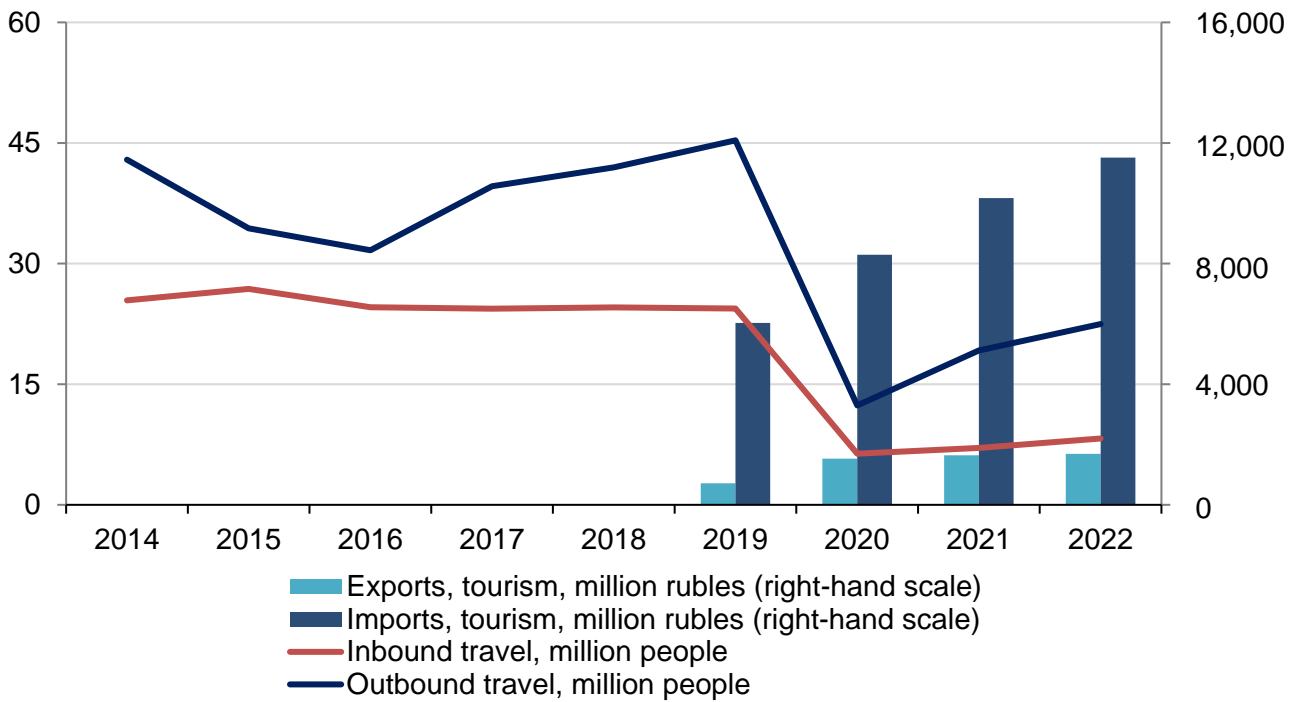
2023 PROSPECTS AND PLANS

As projected by the Ministry of Economic Development of the Russian Federation, **the overall tourist flow will rise by 5.2% in 2023.** The number of guests in the CAs will go up to 75.2 million in 2023 (+5.3% on 2022). The number of guests in the IAs will be 73.4 million (+5.0% on 2022).

Travel agents in Central Russia, Volga-Vyatka, Siberia and the Far East expect more visitors from Asian countries in summer 2023. Thanks to this development, the number of guests in the CAs will be slightly closer to the pre-pandemic level in contrast to the previous year (Chart 6). In Saint Petersburg, the number of Asian holidaymakers is projected to gradually recover but still will be markedly below the 2019 level in the next two or three years.

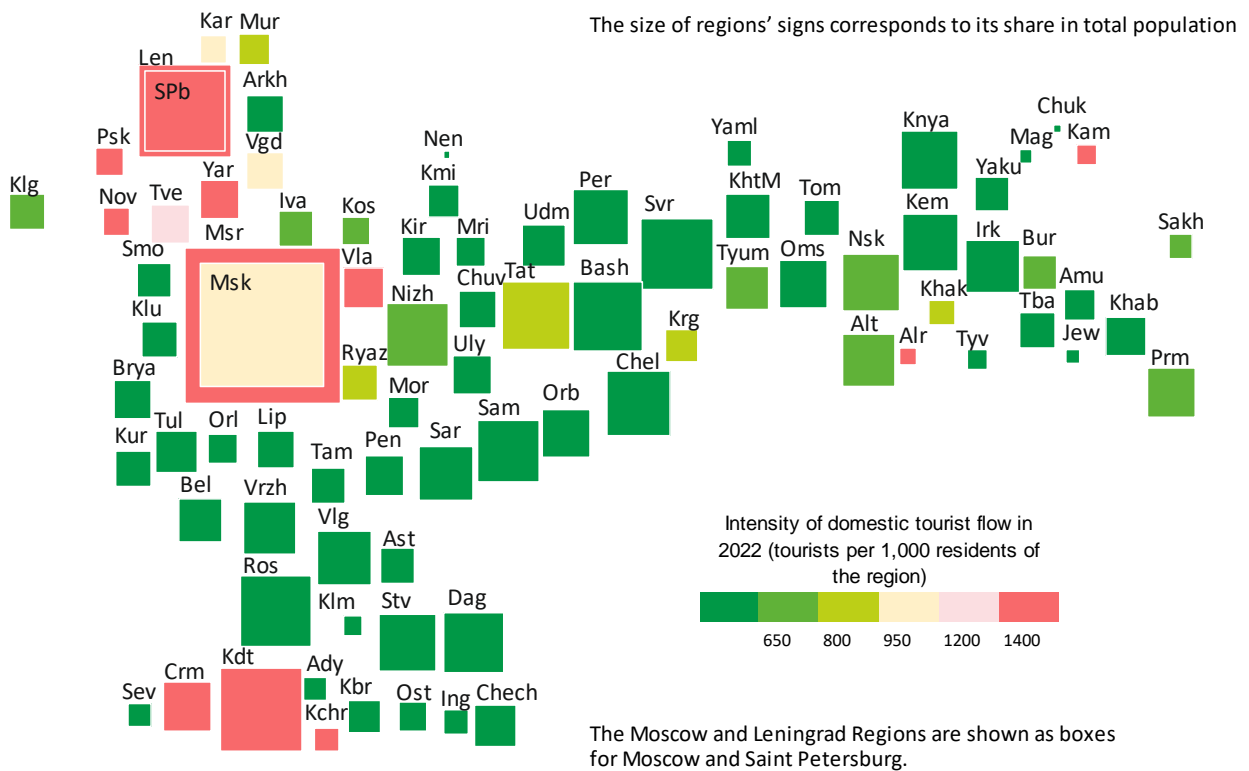
Household demand for domestic tourism services will generally remain elevated over 2023, resulting in a high occupancy rate of the CAs. The increasing tourist flow will additionally boost the development of related sectors (transport, public catering, and entertainment). However, the high demand and the limited infrastructure capacity will drive up prices for leisure travels inside the country. Holidaymakers are anticipated to continue opting for medium and low-cost solutions, which will compete with outbound journeys to friendly countries.

Chart 1. Inbound and outbound tourism (million trips), exports/imports of tourism services (million rubles)



Sources: Bank of Russia, Rosstat.

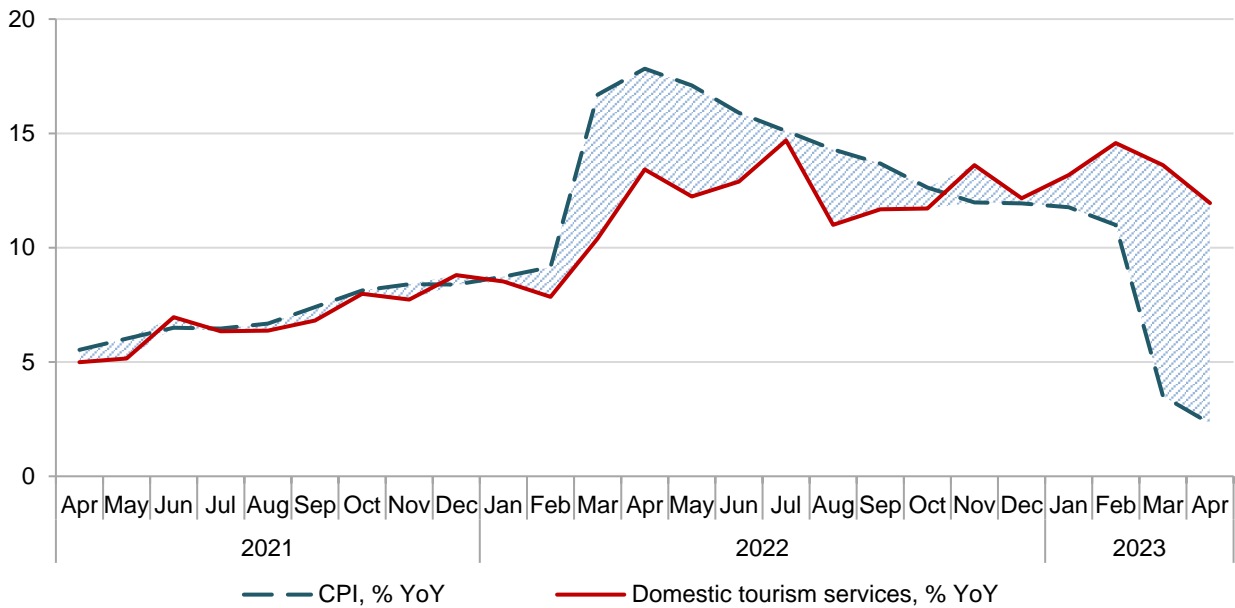
Chart 2. Intensity of domestic tourist flow in 2022 (tourists per 1,000 residents of the region)*



*Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

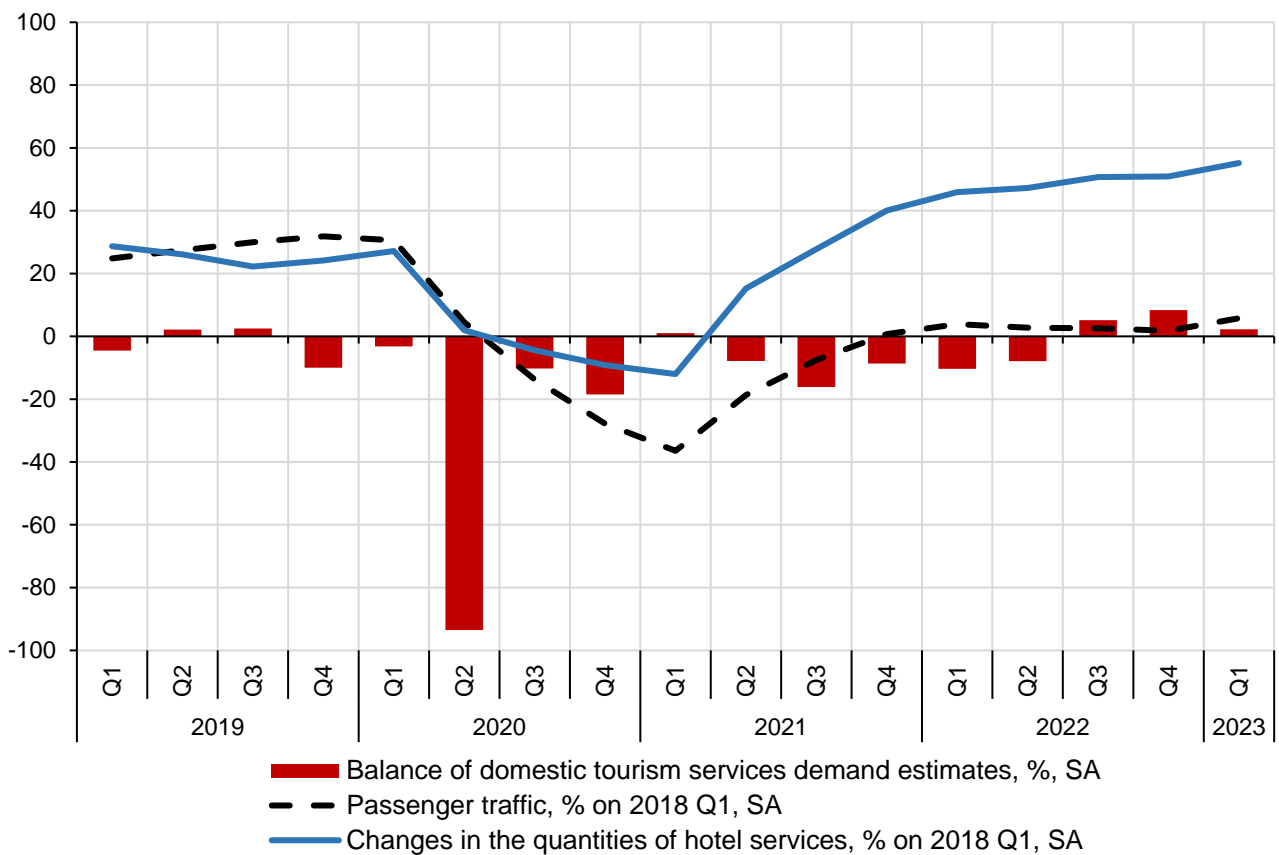
Source: Rosstat.

Chart 3. Domestic tourism prices, % YoY



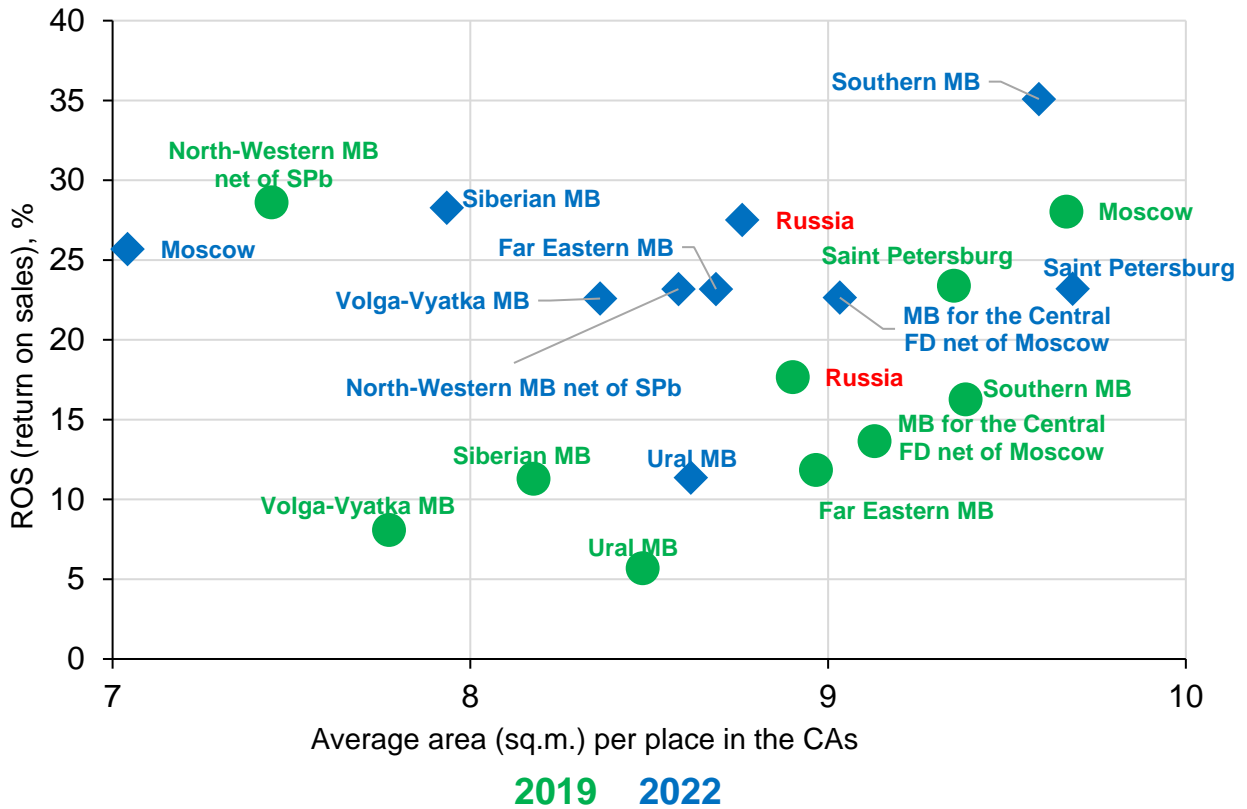
Source: Rosstat.

Chart 4. Estimated demand for domestic tourism services (balance of responses, SA), changes in passenger traffic and hotel services quantities



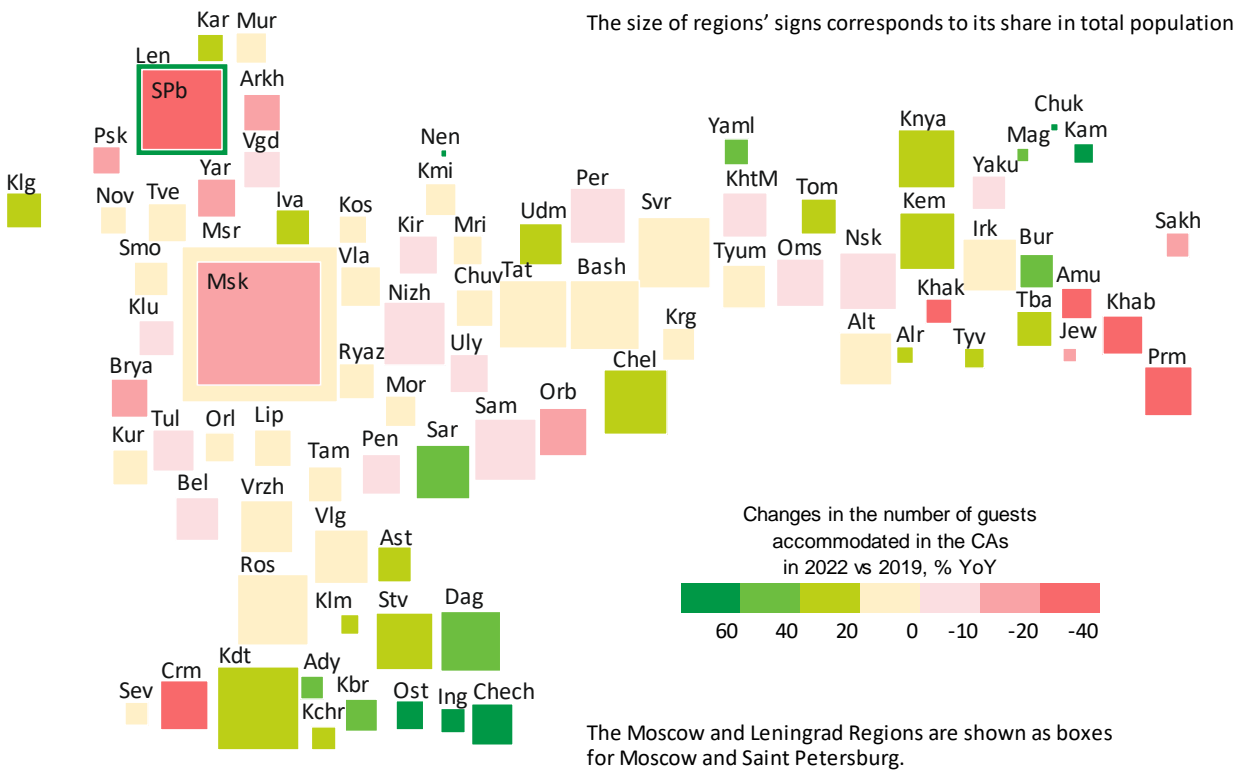
Sources: Rosstat, Bank of Russia calculations.

Chart 5. Average room area to return on sales of the CAs



Sources: Rosstat, Bank of Russia calculations.

Chart 6. Changes in the number of guests accommodated in the CAs in 2022 vs 2019, % YoY*



*Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Source: Rosstat.

BOX 2

INDUSTRY FOCUS. FERROUS METALLURGY

In 2022, Russian ferrous metallurgy witnessed a significant decline in output due to a lower foreign and domestic demand, and the sanctions imposed by the major importers of Russian products. Nevertheless, the sector showed signs of recovery as early as in 2023 Q1. According to Bank of Russia estimates based on Rosstat data, output gained more than 4% quarter-on-quarter (seasonally adjusted). Based on the Bank of Russia's monitoring, metal makers had better output expectations, the capacity utilisation rate remained high (above 80%). Output is recovering on the back of both foreign and domestic demand (from automakers, pipeline builders, etc.) supported by government stimulus measures. In April 2023, steel and rolled steel export prices exceeded the domestic ones for the third month in a row. This may suggest a possible increase in pressures on the domestic prices.

MANUFACTURING

Russia fully provides itself with ferrous metallurgy products. Moreover, the sector is largely focused on imports. The key competitive advantage of Russian metal makers in the global market is the availability of large ore deposits and relatively cheap energy sources.

According to Bank of Russia estimates based on Rosstat data, the output of Russian ferrous metallurgy dropped to 197 million tonnes in 2022 (-6.1% YoY).⁴ In 2022 Q4, it was ~10% below the 2021 Q4 level (seasonally adjusted, Chart 1). Lower output resulted from a noticeable shrinking of demand both inside and outside Russia. However, output of some products, mainly used in construction and oil and gas sector, went up (e.g. stainless steel ingots, pipes and profiles, and other alloy steel ingots).

In late 2022, output showed signs of recovery which continued in 2023. In 2023 Q1, output gained more than 4% on the previous quarter (seasonally adjusted). Based on the Bank of Russia's monitoring of businesses, in 2023 Q1, the capacity utilisation of plants producing cast iron, steel and ferrous alloys returned to the level of 2021 year-end, with that of pipe works being markedly above it (Chart 2).

EXPORTS

In 2022, Russian ferrous metallurgy witnessed a steep drop in foreign demand due to the sanctions⁵ imposed by unfriendly countries and a global economic slack. Based on data of the Federal Customs Service, the value of exports of Russian ferrous metals and products fell by 12.3% YoY in 2022. Since the middle of 2022, ferrous metals supplies to the US and the UK were largely discontinued. The EU, which used to account for one fourth of the Russian ferrous metal exports, banned deliveries of finished products but permitted supplies of slabs until September 2024.⁶

⁴ A weighted index based on Rosstat data of output of key ferrous metallurgy products (cast iron, steel, rolled products, pipes, hollow profiles and their steel fittings).

⁵ The sanctions prohibit imports of Russian metal products, e.g. forms and profiles of cast iron, plane carbon steel, tin products, metal-coated sheets, hot rolled sheets of unalloyed steel and other alloys, cold rolled sheets of stainless steel, reinforcement products and wire products, welded and seamless pipes.

⁶ In October 2022, quotas were set on the imports of slabs in the amount of 3.7 million tonnes (the value of imports in 2021). The quotas will be effective through 30 September 2024.

The inaccessibility of the US and EU markets forced Russian metal makers to increase supplies to Asia. In Asian markets, Russian products were sold at a 20–30% discount to global prices in 2022, weighing on corporate revenues. However, global demand for metal products has been rising since November 2022. For instance, in April 2023, prices for hot rolled steel and reinforcement products were above the levels of 2019–2020, when global demand for ferrous metal products was elevated.

LOGISTICS

Given the forced changes in the sales geography of Russian ferrous metals, logistics, especially eastbound supply chains, became crucially important. According to data of Joint Stock Company Russian Railways, the quantities of railway transportation of ferrous metals declined by 4.3% YoY in 2022, most noticeably in 2022 Q4 (-14.8% YoY). This is associated with a drop in demand and, to a greater extent, with a limited capacity of the Eastern Polygon of the Russian Railways. In terms of the allocation of special rolling stock, exports of metals go after the scheduled deliveries of socially important goods, internal transportation and commodity exports. Based on data of the Association of Commercial Sea Ports, the quantity of ferrous metals' transshipment dropped by 16% and 25% YoY in 2022 and 2023 Q1, respectively (Chart 3).

The gradual recovery of the sectoral output in 2023 brought about a higher demand for the transportation of ferrous metallurgy products. In 2023 Q1, the quantities of railway transportation were lower than in 2022 Q1, when they had not yet been affected by the sanctions. However, the annual decline was much smaller. In March–April, the ferrous metals' transshipment in sea ports started growing again in annualised terms to exceed the 2022 average monthly figure in April.

Due to the redirection of exports, their delivery distances became much longer, pushing up corporate logistics costs. To ease pressures on their costs, companies embraced new business models, resorting to multi-modal shipments by water and motor transport, among other things.

DOMESTIC MARKET

As a result of the drop in exports in 2022, products flowed into the domestic market, intensifying competition among manufacturers and suppliers. Domestic demand for ferrous metallurgy products dropped markedly last year, mainly due to the automobile industry. This was predominantly associated with a temporary suspension of some production facilities and the exit of foreign manufacturers from the Russian market.

The domestic market started recovering in late 2022. Companies noted a strong demand for their products, e.g. flat-rolled products actively used in the automobile industry, construction and metal processing, as early as the fourth quarter. Pipe producers had a greater need in metals due to the repairs of existing and the construction of new pipelines. For example, the installation of a gas pipeline from Sakhalin to Asia was launched in summer 2022. In early 2023, supplies of metal products to the Kamennomysskoe offshore gas field in the Kara Sea, where an offshore ice-resistant oil-producing platform under the same name was being constructed, discontinued. Since February 2023, steel and rolled steel export prices were higher than the domestic ones. Given the higher demand, this may evidence that there is some room for the domestic prices to grow this year.

INDUSTRY PROSPECTS

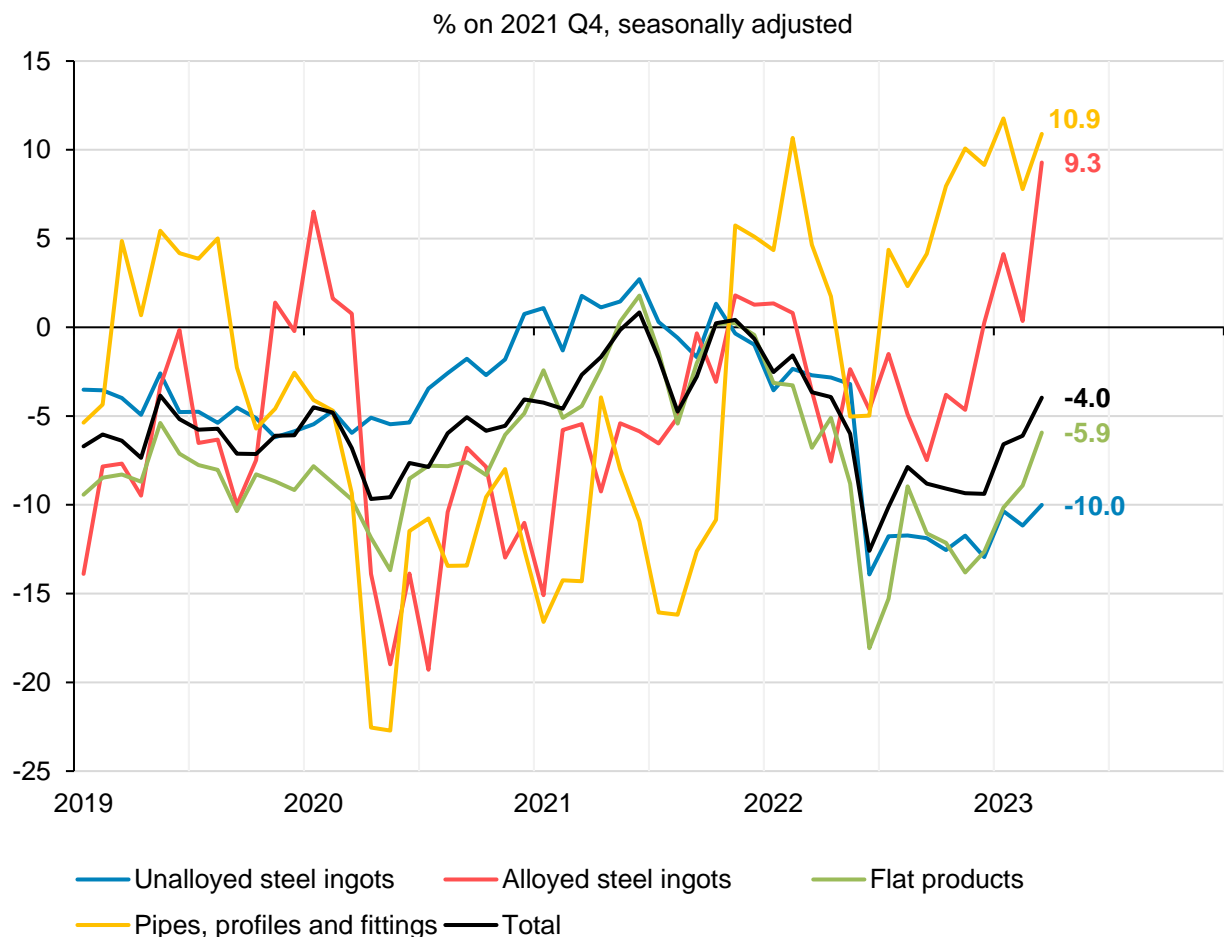
According to the monitoring of businesses conducted by the Bank of Russia in May 2023, the majority of large Russian metal makers did not see any increase in business risks and had sufficient

finished product inventories.

In May 2023, there was an increase in the portion of metal makers who anticipated a larger output of cast iron, steel and ferrous alloys, as well as steel pipes, hollow profiles and fittings over the next three months (up to one third of the respondents from 8–13% in January). The portion of metal makers expecting a smaller output declined noticeably between January and May. In May, the current estimates of the sectoral business climate were above the 2021 average, with those of expectations approaching the 2021 level (Charts 4 and 5).

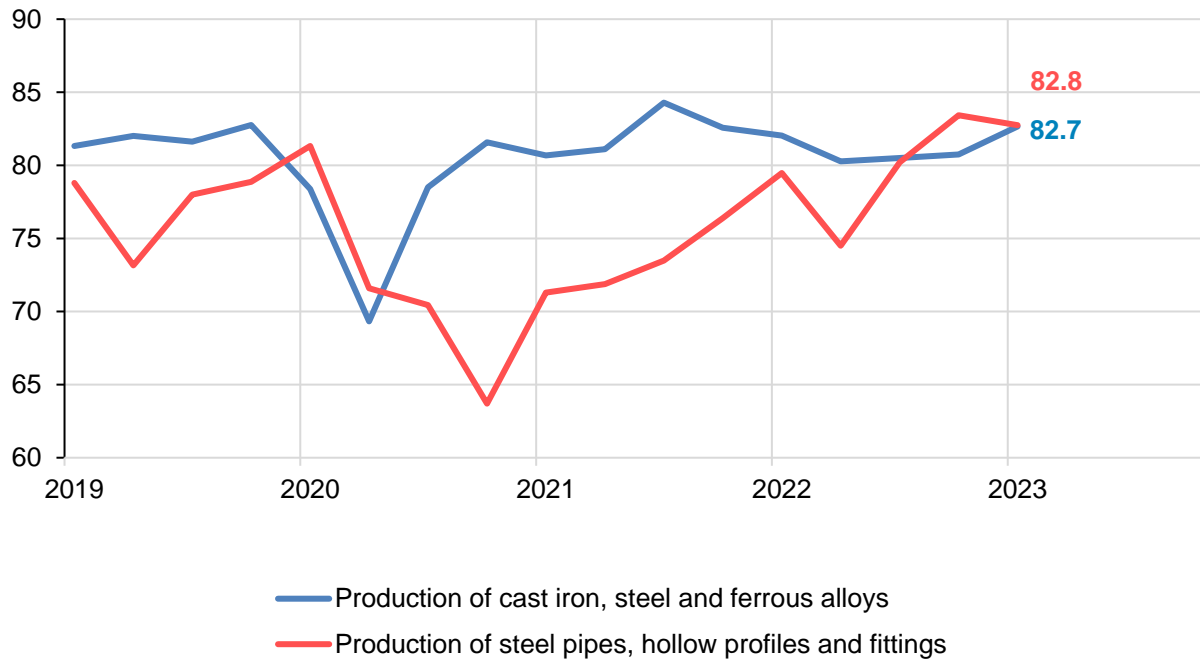
To support the metallurgy sector, the Ministry of Construction, Housing and Utilities of the Russian Federation prepared an action plan to foster domestic steel consumption. The priorities of the action plan include drafting proposals on the update of requirements for fire protection and the assessment of fire-resistance of steel structures, as well as rust proofing of such structures. This will help ensure the broader use of metal structures in the construction of buildings, including blocks of flats. These pilot projects are scheduled to be implemented in the Moscow Region in 2023.

Chart 1. Output of ferrous metallurgy products



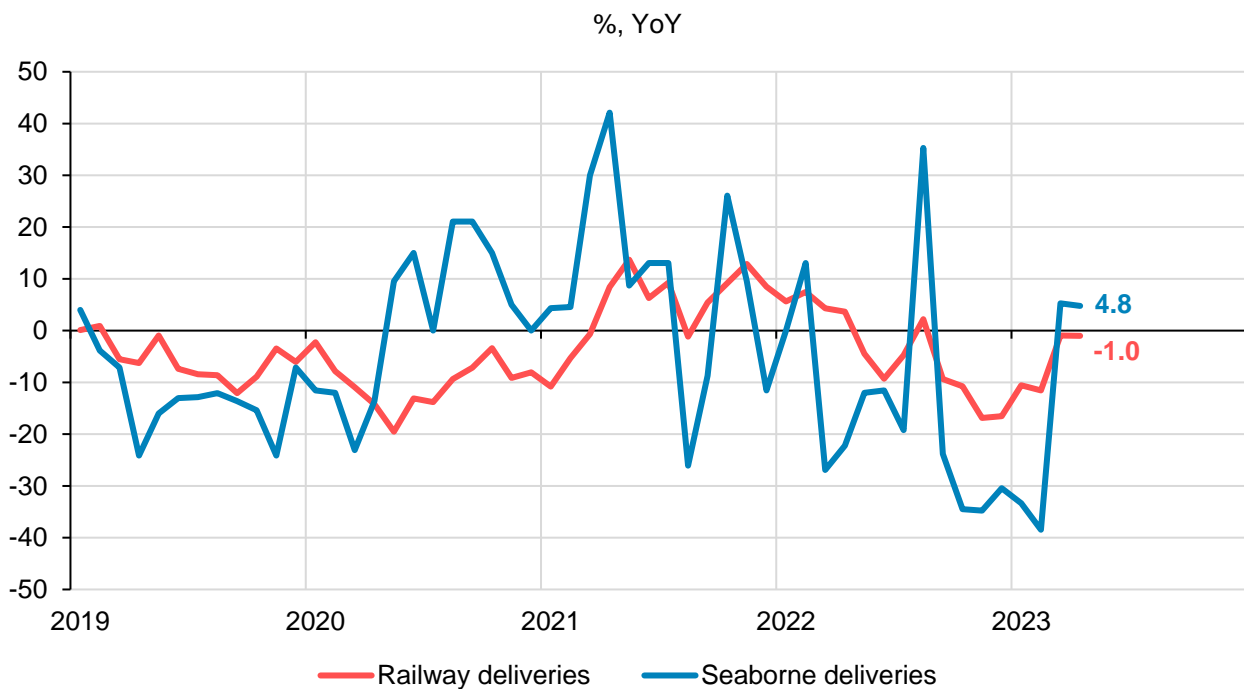
Sources: Rosstat, Bank of Russia calculations.

Chart 2. Metal makers' production capacity utilisation rate, %



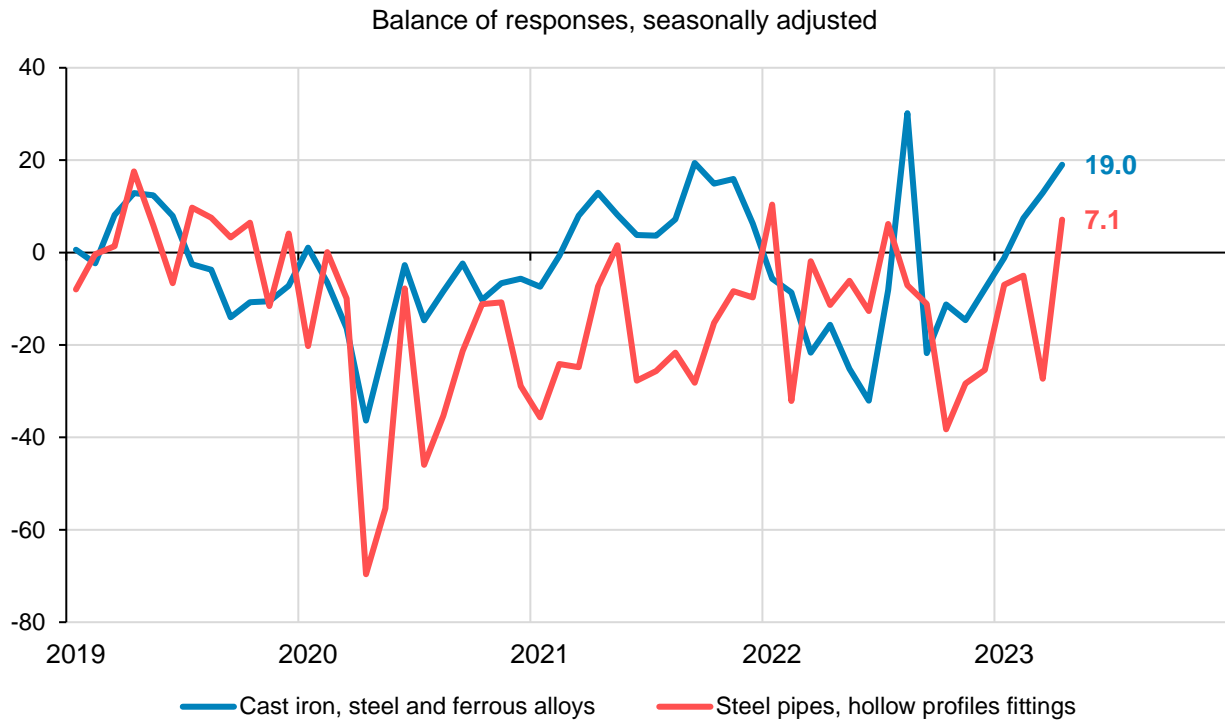
Sources: Bank of Russia, monitoring of businesses.

Chart 3. Ferrous metals' railway deliveries and transshipment in sea ports



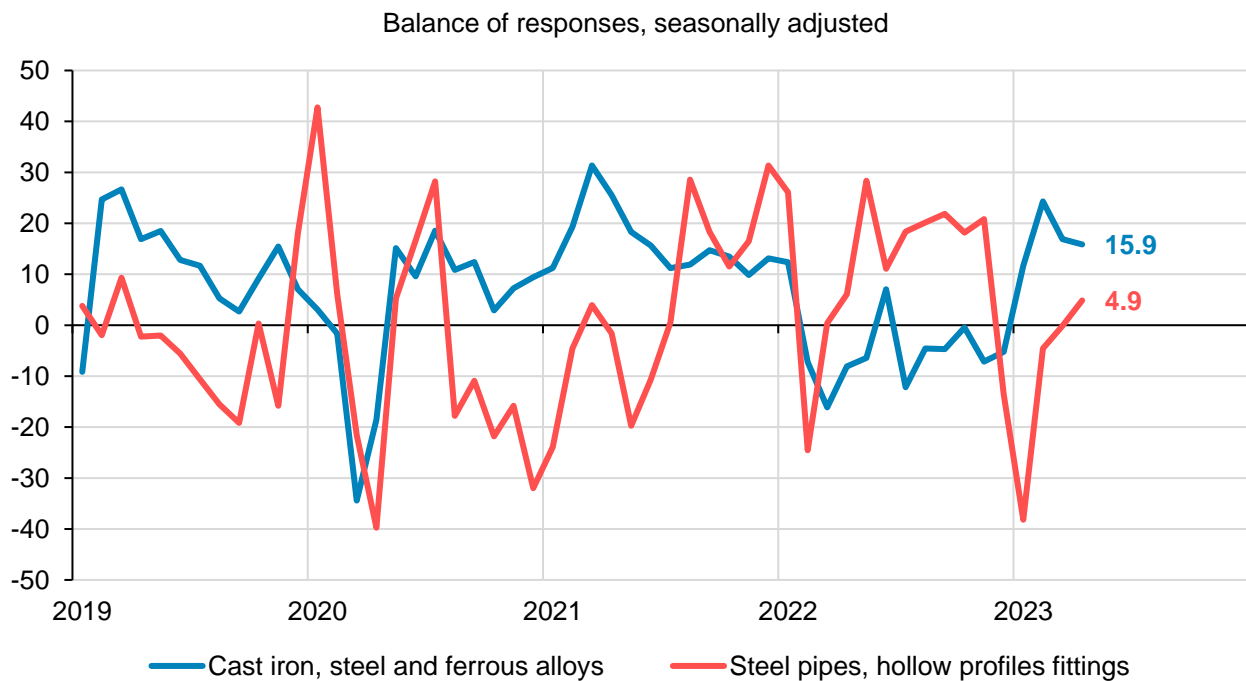
Sources: Russian Railways, Association of Commercial Sea Ports, Bank of Russia calculations.

Chart 4. Business Climate Index. Companies' current estimates



Sources: Bank of Russia, monitoring of businesses.

Chart 5. Business Climate Index. Companies' expectations



Sources: Bank of Russia, monitoring of businesses.

EARLIER ISSUES AND BOXES THEREIN



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Consumer demand: the impact of the worsening epidemiological situation

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

| | | 2021 | 2022 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|------|-------|------|-------|------|------|-------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 8.4 | 11.9 | 16.7 | 15.9 | 13.7 | 11.9 | 3.5 | 3.5 | 2.3 | |
| Core inflation | % YoY | 8.9 | 14.3 | 18.7 | 19.2 | 17.1 | 14.3 | 3.7 | 3.7 | 2.0 | |
| Industrial production | 3MMA, % YoY | 6.3 | -0.6 | 5.1 | -2.6 | -1.2 | -3.0 | -0.9 | -0.9 | | |
| Fixed capital investment | Cumulative, % YoY | 8.6 | 4.6 | 13.8 | 7.6 | 5.4 | 4.6 | | | | |
| Construction | 3MMA, % YoY | 7.0 | 5.2 | 3.9 | 3.6 | 5.2 | 6.9 | 8.9 | 8.9 | | |
| Housing commissioning | 3MMA, % YoY | 12.7 | 11.0 | 64.6 | 24.8 | 1.7 | -21.4 | -1.2 | -1.2 | -11.8 | |
| Retail | 3MMA, % YoY | 7.8 | -6.5 | 4.8 | -9.6 | -9.8 | -9.6 | -7.3 | -7.3 | | |
| Commercial services | 3MMA, % YoY | 17.2 | 3.6 | 7.9 | 1.4 | 2.4 | 2.3 | 3.9 | 3.9 | | |
| Real wages | 3MMA, % YoY | 4.5 | -1.0 | 2.9 | -5.5 | -2.0 | 0.4 | 1.6 | 1.6 | | |
| Real disposable income | % YoY | 3.8 | -1.4 | -1.6 | -2.2 | -2.5 | 0.4 | | | | |
| Unemployment | SA, % | 4.8 | 3.9 | 4.2 | 3.9 | 3.9 | 3.7 | 3.5 | 3.5 | | |
| Outstanding consumer loans | % YoY | 19.5 | 2.5 | 15.6 | 7.1 | 4.3 | 2.5 | 4.9 | 4.9 | 8.2 | |
| Outstanding mortgage loans | % YoY | 26.7 | 17.6 | 27.2 | 18.3 | 16.8 | 17.6 | 16.0 | 16.0 | 18.6 | |
| Funds in escrow accounts | % YoY | 158 | 32.7 | 130 | 76.3 | 53.7 | 32.7 | 11.8 | 11.8 | 10.7 | |
| Non-financial organisations' outstanding bank loans | % YoY | 14.6 | 19.7 | 17.6 | 15.6 | 16.7 | 19.7 | 19.4 | 19.4 | | |
| • Large borrowers | % YoY | 12.3 | 17.6 | 15.1 | 13.3 | 13.8 | 17.6 | 17.7 | 17.7 | | |
| • SMEs | % YoY | 27.5 | 29.9 | 30.4 | 26.5 | 31.8 | 29.9 | 27.6 | 27.6 | | |
| Companies' price expectations | Balance of responses, SA | 20.1 | 21.8 | 29.3 | 24.4 | 15.4 | 18.0 | 16.7 | 16.3 | 17.4 | 16.5 |
| Business Climate Index | pp YoY | 9.6 | -4.8 | -2.3 | -11.2 | -2.3 | -3.5 | 5.1 | 17.2 | 16.2 | 11.1 |
| • Current estimates | pp YoY | 11.1 | -4.2 | 1.0 | -11.6 | -3.0 | -3.3 | 3.2 | 9.9 | 15.7 | 12.0 |
| • Expectations | pp YoY | 7.8 | -5.5 | -5.8 | -10.9 | -1.6 | -3.7 | 7.2 | 25.0 | 16.7 | 10.2 |

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 | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2022 Q4 | 2023 Q1 | Mar | Apr | May |
|---|--------------------------|------|-------|---------|---------|---------|---------|---------|-------|-------|------|
| Inflation | % YoY | 8.3 | 12.5 | 16.6 | 16.3 | 14.2 | 12.5 | 4.2 | 4.2 | 2.9 | |
| Core inflation | % YoY | 9.0 | 14.9 | 18.9 | 19.9 | 17.7 | 14.9 | 4.3 | 4.3 | 2.5 | |
| Industrial production | 3MMA, % YoY | 19.8 | 3.1 | 9.7 | 3.6 | 2.9 | -2.9 | 4.7 | 4.7 | | |
| Fixed capital investment | Cumulative, % YoY | 14.5 | -0.2 | 11.6 | 4.4 | 1.4 | -0.2 | | | | |
| Construction | 3MMA, % YoY | 5.2 | 12.0 | 7.5 | 14.3 | 13.0 | 12.0 | 5.9 | 5.9 | | |
| Housing commissioning | 3MMA, % YoY | 14.3 | 12.6 | 82.6 | 24.2 | -2.3 | -21.8 | -11.4 | -11.4 | -17.9 | |
| Retail | 3MMA, % YoY | 8.5 | -10.5 | 3.8 | -13.6 | -14.9 | -14.9 | -12.0 | -12.0 | | |
| Commercial services | 3MMA, % YoY | 23.5 | 4.9 | 16.8 | -0.9 | 1.5 | 3.0 | 4.6 | 4.6 | | |
| Real wages | 3MMA, % YoY | 5.6 | -2.3 | 5.3 | -7.2 | -4.8 | -2.0 | -2.2 | -2.2 | | |
| Real disposable income | % YoY | 5.2 | -1.7 | 3.0 | -4.1 | -4.2 | -0.9 | | | | |
| Unemployment | SA, % | 3.5 | 3.0 | 3.0 | 3.0 | 3.0 | 2.9 | 2.8 | 2.8 | | |
| Outstanding consumer loans | % YoY | 19.9 | 2.8 | 16.7 | 8.6 | 4.8 | 2.8 | 4.7 | 4.7 | 8.2 | |
| Outstanding mortgage loans | % YoY | 29.2 | 16.9 | 28.5 | 19.9 | 18.3 | 16.9 | 14.8 | 14.8 | 16.9 | |
| Funds in escrow accounts | % YoY | 171 | 39.6 | 137 | 83.8 | 59.3 | 39.6 | 16.1 | 16.1 | 14.8 | |
| Non-financial organisations' outstanding bank loans | % YoY | 13.1 | 15.6 | 14.8 | 12.5 | 13.3 | 15.6 | 18.3 | 18.3 | | |
| • Large borrowers | % YoY | 10.0 | 13.2 | 11.3 | 9.7 | 10.0 | 13.2 | 16.2 | 16.2 | | |
| • SMEs | % YoY | 36.6 | 30.1 | 39.4 | 29.4 | 35.6 | 30.1 | 30.1 | 30.1 | | |
| Companies' price expectations | Balance of responses, SA | 29.0 | 28.2 | 38.5 | 32.0 | 19.9 | 22.6 | 19.9 | 20.7 | 22.6 | 21.4 |
| Business Climate Index | pp YoY | 8.9 | -6.4 | -2.0 | -14.2 | -4.2 | -5.1 | 3.5 | 15.4 | 15.3 | 10.8 |
| • Current estimates | pp YoY | 9.4 | -5.1 | 2.8 | -14.3 | -3.9 | -5.1 | 1.1 | 5.7 | 12.4 | 12.8 |
| • Expectations | pp YoY | 8.1 | -7.7 | -7.1 | -14.1 | -4.5 | -5.0 | 6.1 | 25.9 | 18.4 | 8.5 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|-------|------|-------|-------|-------|-------|-------|-------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 8.5 | 11.9 | 17.1 | 15.5 | 13.7 | 11.9 | 3.3 | 3.3 | 2.7 | |
| Core inflation | % YoY | 8.9 | 14.7 | 19.3 | 19.0 | 17.5 | 14.7 | 3.8 | 3.8 | 2.5 | |
| Industrial production | 3MMA, % YoY | 5.2 | -0.9 | 2.7 | -4.1 | -8.5 | -2.4 | -0.9 | -0.9 | | |
| Fixed capital investment | Cumulative, % YoY | 3.6 | -5.0 | 1.2 | -1.0 | -7.0 | -5.0 | | | | |
| Construction | 3MMA, % YoY | 3.7 | -10.5 | -3.9 | -9.3 | -10.8 | -13.5 | 0.3 | 0.3 | | |
| Housing commissioning | 3MMA, % YoY | 13.3 | 8.4 | 43.3 | 33.6 | -19.6 | -8.6 | -10.1 | -10.1 | -25.4 | |
| Retail | 3MMA, % YoY | 11.7 | -6.3 | 7.7 | -9.4 | -10.7 | -10.3 | -9.7 | -9.7 | | |
| Commercial services | 3MMA, % YoY | 19.2 | 3.2 | 5.1 | 1.5 | 2.5 | 3.4 | 4.3 | 4.3 | | |
| Real wages | 3MMA, % YoY | 4.3 | -1.2 | 1.6 | -5.1 | -2.6 | 0.7 | 0.6 | 0.6 | | |
| Real disposable income | % YoY | 5.6 | -2.5 | 1.4 | -4.2 | -6.6 | -0.3 | | | | |
| Unemployment | SA, % | 3.9 | 3.2 | 3.2 | 3.1 | 3.4 | 3.2 | 3.1 | 3.1 | | |
| Outstanding consumer loans | % YoY | 18.7 | 1.8 | 14.8 | 6.4 | 3.9 | 1.8 | 3.9 | 3.9 | 7.0 | |
| Outstanding mortgage loans | % YoY | 26.5 | 15.2 | 26.9 | 18.1 | 16.2 | 15.2 | 12.6 | 12.6 | 14.6 | |
| Funds in escrow accounts | % YoY | 255 | 32.4 | 202 | 110.5 | 77.5 | 32.4 | 7.5 | 7.5 | 6.6 | |
| Non-financial organisations' outstanding bank loans | % YoY | 28.3 | 45.4 | 39.2 | 42.6 | 29.5 | 45.4 | 34.8 | 34.8 | | |
| • Large borrowers | % YoY | 32.5 | 46.1 | 46.6 | 54.2 | 28.9 | 46.1 | 39.3 | 39.3 | | |
| • SMEs | % YoY | 11.0 | 42.0 | 13.2 | 7.0 | 32.4 | 42.0 | 14.2 | 14.2 | | |
| Companies' price expectations | Balance of responses, SA | 23.3 | 24.0 | 31.3 | 28.1 | 17.2 | 19.4 | 17.4 | 17.1 | 18.6 | 19.1 |
| Business Climate Index | pp YoY | 9.4 | -8.9 | -2.0 | -14.9 | -9.1 | -9.8 | 1.3 | 16.2 | 15.9 | 12.8 |
| • Current estimates | pp YoY | 11.1 | -8.3 | 1.1 | -15.5 | -9.4 | -9.3 | -1.2 | 7.0 | 13.6 | 13.5 |
| • Expectations | pp YoY | 7.5 | -9.6 | -5.2 | -14.2 | -8.8 | -10.3 | 3.9 | 26.0 | 18.3 | 12.0 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|------|-------|------|-------|------|------|------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 8.6 | 12.4 | 17.1 | 16.7 | 14.2 | 12.4 | 3.7 | 3.7 | 2.4 | |
| Core inflation | % YoY | 9.4 | 14.7 | 19.7 | 20.1 | 17.8 | 14.7 | 3.5 | 3.5 | 1.7 | |
| Industrial production | 3MMA, % YoY | 8.7 | 1.1 | 6.6 | -2.7 | 1.5 | 0.9 | 2.3 | 2.3 | | |
| Fixed capital investment | Cumulative, % YoY | 5.5 | 3.3 | 13.3 | 6.4 | 5.7 | 3.3 | | | | |
| Construction | 3MMA, % YoY | 13.8 | 14.2 | 18.3 | 5.1 | 11.5 | 10.1 | 6.2 | 6.2 | | |
| Housing commissioning | 3MMA, % YoY | 8.5 | 3.8 | 18.2 | 26.4 | 14.4 | -31.5 | 14.5 | 14.5 | 0.1 | |
| Retail | 3MMA, % YoY | 6.0 | -3.6 | 4.6 | -8.4 | -5.4 | -3.7 | -1.7 | -1.7 | | |
| Commercial services | 3MMA, % YoY | 10.9 | 2.9 | 5.4 | 3.9 | 2.4 | 0.5 | 4.1 | 4.1 | | |
| Real wages | 3MMA, % YoY | 4.3 | -0.6 | 1.1 | -4.5 | -1.3 | 0.9 | 4.8 | 4.8 | | |
| Real disposable income | % YoY | 2.1 | -1.1 | -1.4 | -1.2 | -3.5 | 1.7 | | | | |
| Unemployment SA, % | | 4.0 | 3.2 | 3.4 | 3.3 | 3.2 | 3.1 | 2.8 | 2.8 | | |
| Outstanding consumer loans | % YoY | 19.2 | 1.2 | 14.6 | 5.4 | 3.2 | 1.2 | 4.2 | 4.2 | 7.6 | |
| Outstanding mortgage loans | % YoY | 23.0 | 15.4 | 24.2 | 15.5 | 13.4 | 15.4 | 13.8 | 13.8 | 16.6 | |
| Funds in escrow accounts | % YoY | 105 | 11.6 | 99 | 54.3 | 35.0 | 11.6 | -7.3 | -7.3 | -8.1 | |
| Non-financial organisations' outstanding bank loans | % YoY | 11.8 | 11.0 | 12.0 | 9.2 | 10.0 | 11.0 | 8.4 | 8.4 | | |
| • Large borrowers | % YoY | 9.0 | 8.0 | 8.0 | 4.0 | 6.0 | 8.0 | 4.9 | 4.9 | | |
| • SMEs | % YoY | 19.9 | 18.8 | 23.5 | 23.7 | 21.3 | 18.8 | 17.4 | 17.4 | | |
| Companies' price expectations | Balance of responses, SA | 28.5 | 28.6 | 37.8 | 33.8 | 20.2 | 22.7 | 20.7 | 19.2 | 22.9 | 23.9 |
| Business Climate Index | pp YoY | 9.5 | -5.6 | -3.5 | -13.2 | -1.2 | -4.4 | 6.5 | 17.9 | 19.3 | 16.3 |
| • Current estimates | pp YoY | 11.1 | -5.9 | -2.1 | -14.0 | -3.3 | -4.4 | 4.6 | 11.4 | 18.0 | 19.0 |
| • Expectations | pp YoY | 7.6 | -5.1 | -4.8 | -12.2 | 1.2 | -4.5 | 8.6 | 25.1 | 20.6 | 13.2 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|-------|-------|------|-------|------|------|-------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 9.2 | 11.7 | 16.6 | 16.1 | 13.3 | 11.7 | 4.0 | 4.0 | 2.6 | |
| Core inflation | % YoY | 9.1 | 14.4 | 17.1 | 18.8 | 16.9 | 14.4 | 5.0 | 5.0 | 2.8 | |
| Industrial production | 3MMA, % YoY | 5.2 | 2.5 | 4.5 | -1.4 | 0.1 | 7.9 | -0.3 | -0.3 | | |
| Fixed capital investment | Cumulative, % YoY | -0.3 | 5.1 | 1.7 | 1.0 | 3.4 | 5.1 | | | | |
| Construction | 3MMA, % YoY | 6.5 | 1.9 | -20.5 | 4.2 | 9.7 | 3.8 | 41.1 | 41.1 | | |
| Housing commissioning | 3MMA, % YoY | 13.8 | 18.0 | 94.2 | 37.7 | 3.1 | -20.2 | -3.3 | -3.3 | -20.0 | |
| Retail | 3MMA, % YoY | 12.0 | -2.4 | 5.5 | -6.2 | -4.8 | -2.9 | -0.3 | -0.3 | | |
| Commercial services | 3MMA, % YoY | 15.1 | 2.8 | 5.4 | 2.4 | 1.8 | 1.7 | 5.3 | 5.3 | | |
| Real wages | 3MMA, % YoY | 2.3 | -1.7 | -1.4 | -5.6 | -2.0 | 0.8 | 4.8 | 4.8 | | |
| Real disposable income | % YoY | 4.1 | -1.1 | -3.8 | -3.0 | -2.0 | 3.4 | | | | |
| Unemployment | SA, % | 7.8 | 6.4 | 6.9 | 6.3 | 6.2 | 6.1 | 5.7 | 5.7 | | |
| Outstanding consumer loans | % YoY | 21.1 | 3.1 | 17.4 | 8.6 | 5.7 | 3.1 | 5.8 | 5.8 | 9.1 | |
| Outstanding mortgage loans | % YoY | 30.7 | 24.9 | 31.5 | 22.4 | 21.1 | 24.9 | 25.1 | 25.1 | 28.5 | |
| Funds in escrow accounts | % YoY | 120 | 25.1 | 91 | 45.8 | 36.1 | 25.1 | 18.8 | 18.8 | 22.9 | |
| Non-financial organisations' outstanding bank loans | % YoY | 13.7 | 27.2 | 16.8 | 15.2 | 32.8 | 27.2 | 28.1 | 28.1 | | |
| • Large borrowers | % YoY | 8.4 | 22.6 | 10.7 | 7.2 | 29.8 | 22.6 | 23.0 | 23.0 | | |
| • SMEs | % YoY | 28.5 | 38.1 | 33.2 | 35.9 | 40.2 | 38.1 | 39.6 | 39.6 | | |
| Companies' price expectations | Balance of responses, SA | 20.0 | 21.5 | 29.0 | 23.6 | 15.1 | 18.2 | 15.6 | 17.1 | 16.4 | 16.0 |
| Business Climate Index | pp YoY | 7.9 | -3.9 | -2.5 | -10.0 | -2.0 | -1.1 | 4.8 | 14.2 | 14.9 | 10.1 |
| • Current estimates | pp YoY | 10.0 | -3.3 | 1.5 | -9.2 | -3.9 | -1.5 | 3.1 | 3.7 | 13.1 | 10.8 |
| • Expectations | pp YoY | 5.3 | -4.6 | -6.6 | -10.9 | 0.0 | -0.8 | 6.3 | 25.5 | 16.8 | 9.3 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|------|-------|------|-------|------|------|------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 7.7 | 11.0 | 16.1 | 15.1 | 12.7 | 11.0 | 2.2 | 2.2 | 1.1 | |
| Core inflation | % YoY | 8.2 | 12.4 | 18.3 | 17.7 | 15.4 | 12.4 | 1.5 | 1.5 | 0.1 | |
| Industrial production | 3MMA, % YoY | 4.2 | -0.7 | 4.7 | -3.1 | -0.5 | -1.6 | -1.6 | -1.6 | | |
| Fixed capital investment | Cumulative, % YoY | 0.7 | 8.7 | 19.3 | 9.5 | 9.1 | 8.7 | | | | |
| Construction | 3MMA, % YoY | 7.3 | -5.1 | 4.0 | -10.9 | -5.8 | -5.0 | 4.7 | 4.7 | | |
| Housing commissioning | 3MMA, % YoY | 12.1 | 11.2 | 64.9 | 8.6 | 9.5 | -13.2 | 3.6 | 3.6 | -2.1 | |
| Retail | 3MMA, % YoY | 4.4 | -5.1 | 3.3 | -8.8 | -7.9 | -5.6 | -0.8 | -0.8 | | |
| Commercial services | 3MMA, % YoY | 14.7 | 2.8 | 6.0 | 2.1 | 3.4 | 0.7 | 2.7 | 2.7 | | |
| Real wages | 3MMA, % YoY | 3.4 | 1.1 | 1.2 | -4.7 | 2.6 | 4.1 | 5.8 | 5.8 | | |
| Real disposable income | % YoY | 1.0 | -1.1 | -1.1 | -3.3 | -1.5 | 1.1 | | | | |
| Unemployment | SA, % | 4.4 | 3.3 | 3.7 | 3.4 | 3.2 | 3.0 | 2.8 | 2.8 | | |
| Outstanding consumer loans | % YoY | 18.1 | 1.6 | 13.6 | 5.1 | 3.5 | 1.6 | 4.3 | 4.3 | 7.5 | |
| Outstanding mortgage loans | % YoY | 21.1 | 16.5 | 22.2 | 13.7 | 14.0 | 16.5 | 15.5 | 15.5 | 18.6 | |
| Funds in escrow accounts | % YoY | 109 | 21.9 | 107 | 53.7 | 34.9 | 21.9 | 3.4 | 3.4 | 2.9 | |
| Non-financial organisations' outstanding bank loans | % YoY | 16.6 | 17.4 | 22.3 | 17.8 | 19.0 | 17.4 | 13.1 | 13.1 | | |
| • Large borrowers | % YoY | 15.0 | 16.0 | 21.1 | 15.9 | 17.6 | 16.0 | 8.9 | 8.9 | | |
| • SMEs | % YoY | 27.6 | 25.9 | 30.2 | 29.6 | 26.9 | 25.9 | 38.3 | 38.3 | | |
| Companies' price expectations | Balance of responses, SA | 22.5 | 24.2 | 31.4 | 29.6 | 17.5 | 18.3 | 16.1 | 14.7 | 17.6 | 16.0 |
| Business Climate Index | pp YoY | 9.5 | -4.9 | -1.3 | -11.7 | -2.6 | -3.8 | 5.4 | 18.4 | 18.3 | 12.6 |
| • Current estimates | pp YoY | 10.2 | -4.1 | 1.3 | -10.9 | -2.7 | -4.1 | 2.7 | 12.4 | 18.5 | 13.9 |
| • Expectations | pp YoY | 8.7 | -5.7 | -4.4 | -12.5 | -2.6 | -3.6 | 8.4 | 24.8 | 18.0 | 11.2 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|------|-------|------|-------|------|------|------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 9.3 | 12.7 | 18.4 | 17.2 | 14.6 | 12.7 | 3.4 | 3.4 | 2.0 | |
| Core inflation | % YoY | 9.5 | 14.2 | 20.7 | 19.9 | 17.5 | 14.2 | 2.6 | 2.6 | 0.9 | |
| Industrial production | 3MMA, % YoY | 3.0 | 0.7 | 5.3 | 2.0 | -1.3 | -1.5 | -1.4 | -1.4 | | |
| Fixed capital investment | Cumulative, % YoY | 11.4 | 5.6 | 11.3 | 9.9 | 5.8 | 5.6 | | | | |
| Construction | 3MMA, % YoY | 14.0 | 10.5 | 17.7 | 7.2 | 9.7 | 10.2 | 7.3 | 7.3 | | |
| Housing commissioning | 3MMA, % YoY | 7.7 | 3.5 | 87.5 | 10.5 | 6.2 | -39.7 | 12.0 | 12.0 | 6.1 | |
| Retail | 3MMA, % YoY | 7.1 | -2.7 | 7.5 | -5.4 | -5.7 | -5.5 | -4.0 | -4.0 | | |
| Commercial services | 3MMA, % YoY | 11.8 | 5.8 | 6.7 | 4.9 | 6.4 | 4.6 | 2.6 | 2.6 | | |
| Real wages | 3MMA, % YoY | 3.3 | 0.7 | 2.2 | -4.6 | 0.8 | 2.4 | 4.4 | 4.4 | | |
| Real disposable income | % YoY | 2.0 | -1.4 | -1.7 | -2.3 | -2.5 | 0.7 | | | | |
| Unemployment | SA, % | 6.1 | 4.8 | 5.2 | 5.0 | 4.6 | 4.3 | 3.9 | 3.9 | | |
| Outstanding consumer loans | % YoY | 20.5 | 3.7 | 16.1 | 7.2 | 4.9 | 3.7 | 6.2 | 6.2 | 9.3 | |
| Outstanding mortgage loans | % YoY | 25.8 | 17.3 | 26.9 | 17.1 | 15.0 | 17.3 | 16.1 | 16.1 | 19.3 | |
| Funds in escrow accounts | % YoY | 149 | 25.0 | 108 | 60.0 | 37.8 | 25.0 | 13.6 | 13.6 | 10.1 | |
| Non-financial organisations' outstanding bank loans | % YoY | 5.0 | 17.0 | 14.6 | 10.7 | 16.7 | 17.0 | 10.9 | 10.9 | | |
| • Large borrowers | % YoY | 1.4 | 11.8 | 12.5 | 5.1 | 12.4 | 11.8 | 5.3 | 5.3 | | |
| • SMEs | % YoY | 18.8 | 33.8 | 21.6 | 29.6 | 31.7 | 33.8 | 29.5 | 29.5 | | |
| Companies' price expectations | Balance of responses, SA | 24.0 | 25.0 | 35.8 | 26.9 | 18.2 | 19.0 | 18.5 | 18.3 | 19.1 | 17.0 |
| Business Climate Index | pp YoY | 8.8 | -3.6 | -2.7 | -9.3 | 0.2 | -2.7 | 8.4 | 22.9 | 19.0 | 13.4 |
| • Current estimates | pp YoY | 10.2 | -4.2 | -1.2 | -10.5 | -0.6 | -4.7 | 5.5 | 14.1 | 18.6 | 15.1 |
| • Expectations | pp YoY | 7.3 | -3.0 | -4.3 | -8.0 | 1.0 | -0.6 | 11.6 | 32.5 | 19.3 | 11.4 |

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 | 2022 | 2022 | 2022 | 2022 | 2023 | Mar | Apr | May |
|---|--------------------------|------|------|------|------|-------|------|------|------|------|------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | | | |
| Inflation | % YoY | 6.7 | 11.9 | 13.4 | 14.1 | 12.5 | 11.9 | 5.2 | 5.2 | 3.8 | |
| Core inflation | % YoY | 6.7 | 14.0 | 15.1 | 16.5 | 15.3 | 14.0 | 5.5 | 5.5 | 3.7 | |
| Industrial production | 3MMA, % YoY | 3.0 | -5.4 | 3.4 | -7.8 | -12.7 | -5.2 | -3.7 | -3.7 | | |
| Fixed capital investment | Cumulative, % YoY | 13.8 | 11.5 | 14.2 | 5.1 | 3.5 | 11.5 | | | | |
| Construction | 3MMA, % YoY | -0.7 | 4.7 | -8.2 | 7.7 | -3.9 | 16.9 | 16.9 | 16.9 | | |
| Housing commissioning | 3MMA, % YoY | 25.4 | 13.7 | 23.9 | 34.0 | 31.8 | -6.6 | 45.1 | 45.1 | 28.0 | |
| Retail | 3MMA, % YoY | 5.6 | -0.6 | 2.4 | -0.9 | -0.8 | -2.8 | -3.5 | -3.5 | | |
| Commercial services | 3MMA, % YoY | 13.2 | -1.6 | -0.7 | -2.9 | -2.6 | 0.3 | 0.5 | 0.5 | | |
| Real wages | 3MMA, % YoY | 4.2 | -2.5 | 0.3 | -3.5 | -3.0 | -1.6 | 1.5 | 1.5 | | |
| Real disposable income | % YoY | 2.3 | -2.2 | -3.1 | -1.2 | -3.4 | -1.3 | | | | |
| Unemployment | SA, % | 4.6 | 3.9 | 4.3 | 4.0 | 3.8 | 3.4 | 3.1 | 3.1 | | |
| Outstanding consumer loans | % YoY | 17.7 | 3.7 | 13.1 | 5.8 | 3.5 | 3.7 | 6.4 | 6.4 | 9.0 | |
| Outstanding mortgage loans | % YoY | 32.5 | 23.3 | 34.4 | 25.5 | 22.4 | 23.3 | 20.2 | 20.2 | 21.9 | |
| Funds in escrow accounts | % YoY | 162 | 34.0 | 133 | 95.4 | 67.5 | 34.0 | 12.9 | 12.9 | 9.2 | |
| Non-financial organisations' outstanding bank loans | % YoY | 18.0 | 18.9 | 8.5 | 10.7 | 13.2 | 18.9 | 27.3 | 27.3 | | |
| • Large borrowers | % YoY | 17.0 | 21.0 | 4.4 | 6.2 | 12.8 | 21.0 | 33.0 | 33.0 | | |
| • SMEs | % YoY | 21.8 | 11.0 | 24.8 | 28.2 | 14.7 | 11.0 | 7.6 | 7.6 | | |
| Companies' price expectations | Balance of responses, SA | 18.8 | 21.0 | 27.4 | 24.0 | 15.8 | 16.9 | 16.5 | 14.5 | 15.7 | 16.4 |
| Business Climate Index | pp YoY | 7.3 | -3.2 | -0.7 | -7.3 | 0.1 | -4.7 | 4.7 | 15.6 | 15.1 | 11.7 |
| • Current estimates | pp YoY | 8.4 | -2.0 | 4.1 | -6.6 | -0.9 | -4.5 | -0.6 | 6.4 | 11.9 | 14.9 |
| • Expectations | pp YoY | 6.1 | -4.4 | -5.7 | -7.9 | 1.2 | -5.0 | 10.3 | 25.4 | 18.4 | 8.2 |

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