



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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

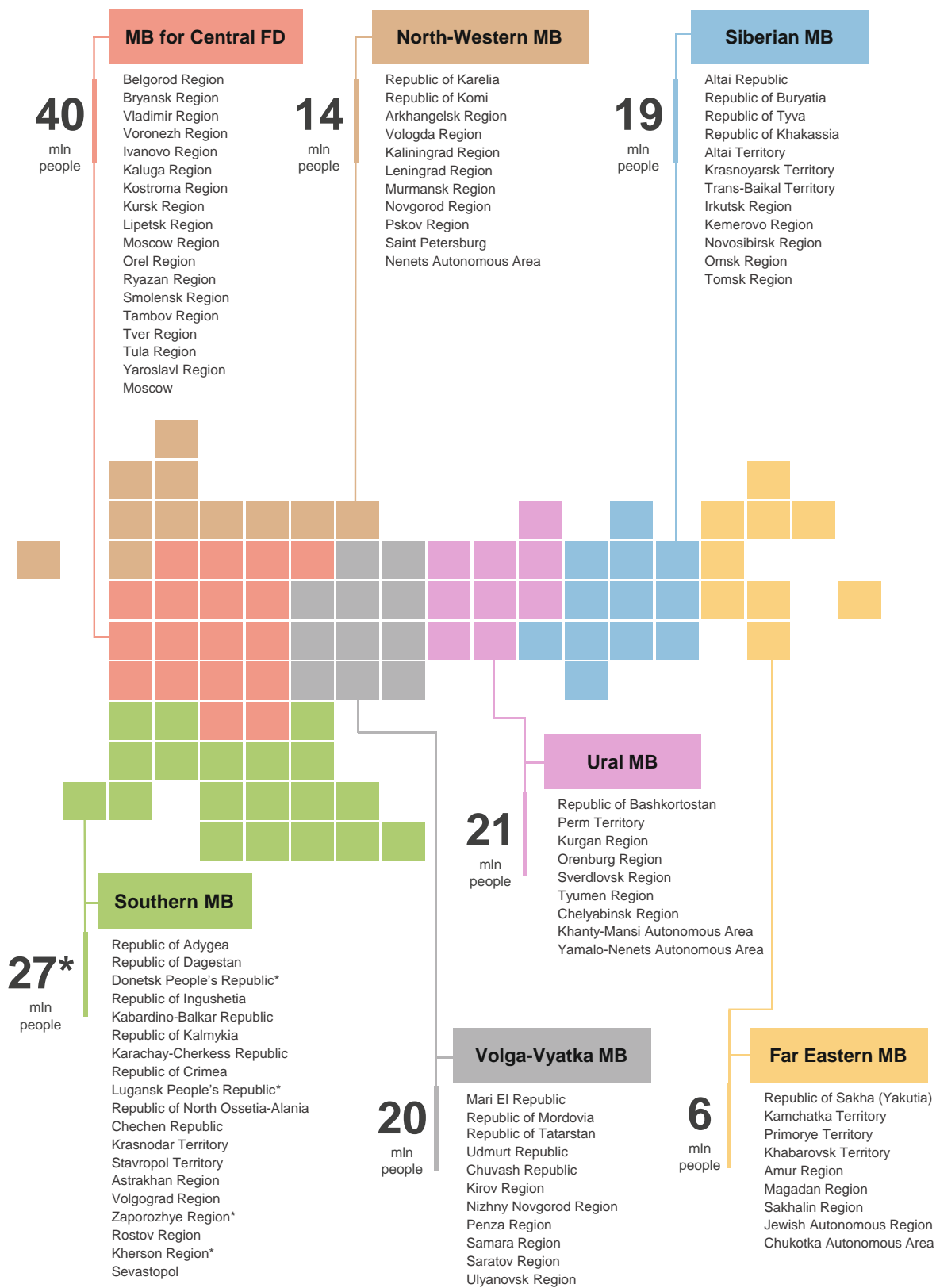
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson 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 15,000 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 August 2023, we surveyed 14,889 companies.

RUSSIAN FEDERATION

Consumer activity continued to expand in July–August, driven by an increase in retail lending, among other factors. Inflation sped up due to growing demand and a weaker ruble. Economic activity trended upwards, as before. As staff shortages became more acute, employers had to raise wages. Businesses' price expectations rose, exceeding 2021–2022 averages.

Consumer activity continued to trend upwards. The opening of new retail areas and the expansion of already operating stores, as well as consumers' adaptation to new brands contributed to the increase in shopping mall traffic. The demand for durables, especially cars, household appliances and electronics, was up. The growth of demand was also driven by an increase in the domestic tourist flow and the restoration of inbound tourism. Higher activity in the consumer market was largely because of a rise in households' incomes and consumer lending.

The labour market remained tight. The level of competition for labour resources was still high, forcing employers to raise wages. The staff deficit and, accordingly, the growth of wages were most notable in manufacturing. Higher wages have an increasing proinflationary effect (see the Box '*Situation in regional labour markets*').

The monthly increase in consumer prices continued to speed up (seasonally adjusted) in July, significantly exceeding 4% in annualised terms. This acceleration was mostly driven by both higher consumer demand and the pass-through of the ruble weakening to prices. Prices for import-intensive goods rose the most. Businesses' price expectations were up across Russia in general, exceeding 2021–2022 averages. The industrial sector reported the most significant increase in price expectations among all groups of industries. Households' price expectations also edged up in August.

The demand for corporate and retail loans expanded in July. The corporate loan portfolio was actively growing. Credit activity in the retail segment, especially in car lending, increased as well. The inflow of households' funds into banks remained. The key rate increase in July and August boosted the demand for time bank deposits.

Economic activity was expanding. The Volga Region and the North-West continued to restore motor vehicle manufacturing. Metallurgical enterprises in the Urals ramped up output to meet higher demand from not only motor vehicle manufacturers, but also the oil and gas and the energy sectors. Freight traffic in Far Eastern seaports hit a record high. Better logistics helped North-Western and Siberian wood processing enterprises improve their export opportunities (see the Box '*Export logistics amid the structural transformation of the economy*'). Furniture manufacturers increased investment activity (see the Box '*Industry focus. Wood processing: furniture manufacturing*').

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. The commissioning of new meat processing facilities make it possible to ramp up the output of meat products. Companies satisfy domestic demand for industrial paints and coatings by substituting imports for domestic alternatives and arranging supplies from friendly states.

NORTH-WESTERN MAIN BRANCH. Wood processing enterprises ramped up output amid rising domestic demand and expanding export opportunities. As the manufacturing of motor vehicles of Russian and foreign brands was restoring, regional companies increased the output of components. A larger tourist flow contributed to the development of the tourism infrastructure.

VOLGA-VYATKA MAIN BRANCH. The automobile industry continued to restore output by deepening the localisation of production facilities, although difficulties with supplies of certain components persisted. The grain harvest this year is expected to be smaller than last year due to weather conditions. The tourist flow expanded, while hotels reported staff shortages and a deficit of rooms.

SOUTHERN MAIN BRANCH. As prices for foreign travel were up, the macro-region's resorts recorded a larger number of tourists. Regional banks continued to expand lending using government measures aimed at supporting businesses that boosted investment activity and agroindustrial output, among other things. The commissioning of apartment housing was increasing faster than across Russia in general.

URAL MAIN BRANCH. The output of metal products expanded, driven by rising demand from industrial and construction enterprises. Because of preventive maintenance, the output of petroleum products slightly contracted. Their exports declined, including because supplies to the domestic market increased. The supply of animal products shrank somewhat, dragged down by one-off factors. Nonetheless, livestock breeding companies continued to implement their investment projects.

SIBERIAN MAIN BRANCH. Siberian metallurgical coal producers were ramping up output and exports. As exports bounced back, wood processing companies were relaunching previously idle facilities and resumed the implementation of the contracts suspended earlier. The sanctions on foreign software boosted the demand for Siberian IT companies' software and promoted the start of its sale in the market.

FAR EASTERN MAIN BRANCH. Freight traffic in Far Eastern seaports remained record-high. Asian countries launched new sea transportation services, which helped reduce the tariffs. Transportation companies complained about a deficit of empty rolling stock because imports exceeded exports. As the demand for holidays was high, the Far East was implementing projects to develop the tourism infrastructure. Fishing enterprises increased supplies to the domestic market as fish output was up.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western FD	Volga FD	Southern FD	Urals FD	Siberian FD	Far Eastern FD
MBs' percentage in inflation	%	2023	100	34	11	12	14	13	11	5
Inflation	% YoY	Jul23	4.3	4.7	4.8	4.2	4.7	3.1	4.1	4.6
Core inflation	% YoY	Jul23	3.2	3.7	3.3	3.0	3.3	1.6	2.6	4.5
Industrial production	3MMA, % YoY	Jul23	5.8	15.7	7.8	12.0	7.2	2.6	0.6	12.6
Fixed capital investment	Cumulative, % YoY	2023 Q2	7.6	4.0	3.2	11.9	21.3	1.3	7.9	23.6
Construction	3MMA, % YoY	Jul23	9.7	8.2	0.3	21.6	2.0	12.3	4.3	37.4
Housing commissioning	3MMA, % YoY	Jul23	4.0	-7.7	19.4	5.2	0.8	16.5	14.0	12.2
Retail	3MMA, % YoY	Jul23	9.9	11.1	10.9	11.0	10.8	14.2	10.6	4.0
Commercial services	3MMA, % YoY	Jul23	5.1	7.8	2.3	4.6	3.4	4.3	5.2	2.1
Real wages	3MMA, % YoY	Jun23	11.4	10.2	10.3	14.0	10.5	13.9	12.7	6.2
Real disposable income	% YoY	2023 Q2	5.0	8.4	6.3	9.9	8.1	10.0	10.0	4.8
Unemployment	% SA	Jul23	3.1	2.5	2.6	2.4	5.2	2.5	3.6	2.9
Outstanding consumer loans ²	% YoY	Jul23	14.3	13.8	12.7	14.3	15.9	14.2	15.6	14.2
Outstanding mortgage loans	% YoY	Jul23	23.4	19.6	17.5	23.0	36.0	25.2	25.8	26.8
Funds in escrow accounts	% YoY	Jul23	16.9	16.1	10.4	8.4	43.1	16.0	23.4	19.6
Non-financial organisations' outstanding bank loans	% YoY	Jun23	23.9	23.1	37.6	14.2	31.1	18.4	13.5	29.8
• Large borrowers	% YoY	Jun23	21.9	20.8	42.2	9.5	24.9	14.4	5.2	34.6
• SMEs	% YoY	Jun23	32.1	34.7	17.5	24.8	43.3	39.0	35.1	15.0
Companies' price expectations ³	Balance of responses, SA	Aug23	22.6	30.8	25.0	30.5	25.0	23.7	28.5	20.0
Business Climate Index	pp YoY	Aug23	3.6	3.6	6.6	4.5	2.9	5.9	3.4	3.0
• Current estimates	pp YoY	Aug23	5.8	6.7	8.0	7.7	3.6	10.3	6.1	3.1
• Expectations	pp YoY	Aug23	1.3	0.1	5.1	1.0	2.1	1.1	0.5	3.0

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

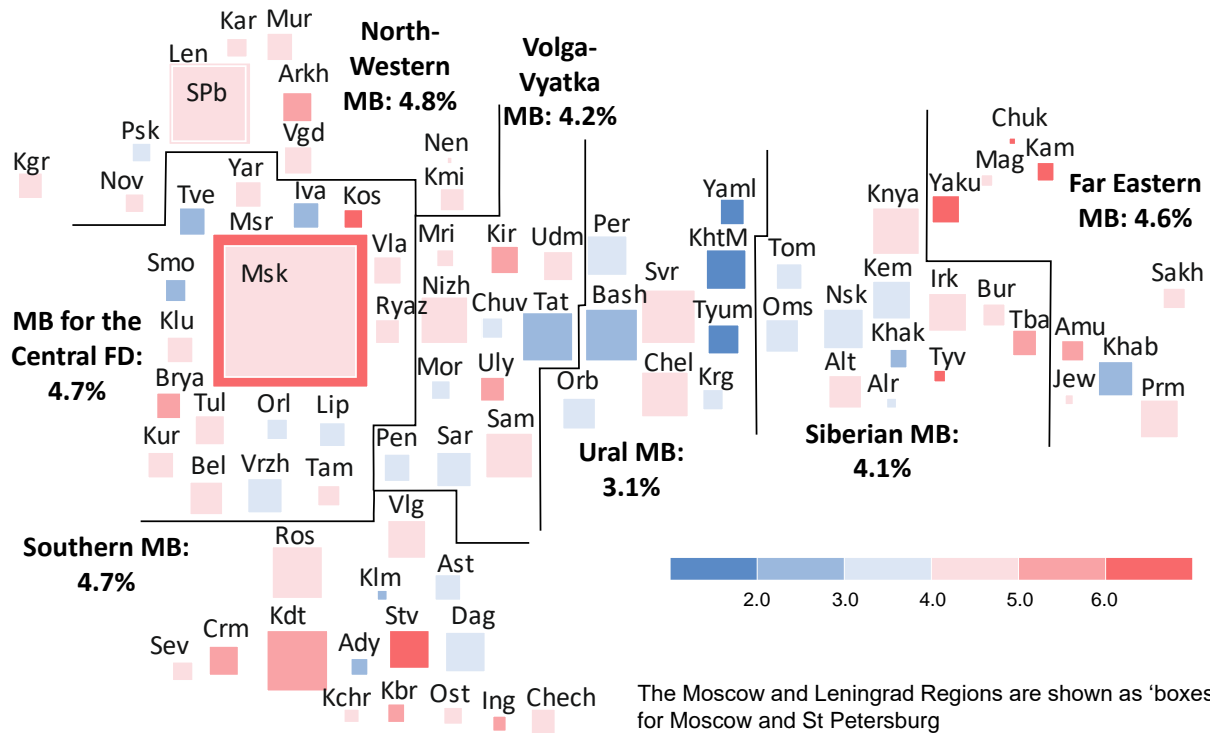
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by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

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



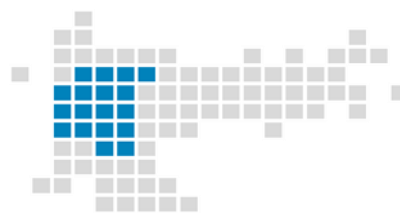
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

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
Alt	Altai Territory	Kra	Krasnoyarsk Territory	Sar	Saratov Region
Alr	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
Tra	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-Netets Autonomous Area
Kir	Kirov Region	Psk	Pskov Region	Yar	Yaroslavl Region
Kgr	Kaliningrad Region	Ros	Rostov Region		
Kmi	Republic of Komi	Ryaz	Ryazan Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity in the macro-region was recovering in July–August. Online trade continued to develop, and logistics facilities were expanding. Higher demand and the ruble weakening accelerated consumer price growth and pushed up businesses' price expectations. The macro-region is going to construct and commission meat processing and paint and coating manufacturing facilities. Companies in most industries reported that lending conditions tightened. The rise in retail lending slowed down somewhat.

CONSUMPTION AND INCOMES. In July–August, consumption in the macro-region continued to bounce back, driven by the development of domestic tourism and the realisation of pent-up demand in the non-food segment, specifically for cars, photo, audio and video devices, home improvement goods, and household appliances. Besides, experts recorded high demand for cheese and other high-price products. Such consumer behaviour became possible partly owing to surging wages in most industries. Consumer activity in the Ivanovo, Tver, Tula and Yaroslavl Regions exceeded the 2021 level. Shopping malls are opening new clothing and footwear stores. Online trade companies are expanding their regional footprint. To speed up the delivery, a large online retailer commissioned an automated parcel sorting line at a warehouse in the Tula Region and opened new logistics centres in the Moscow and Voronezh Regions. Owing to the implementation of tourism support programmes, including the measures implemented by the Government of Moscow to develop youth and business tourism, the demand for excursion tours to the capital and the cities of the Golden Ring of Russia increased. Nevertheless, trade companies expect the recovery of demand to slow down somewhat as businesses' capacities to further raise wages are diminishing.

PRICES. Annual inflation and monthly price growth (seasonally adjusted) continued to accelerate in the macro-region in July, predominantly due to a weaker ruble and rising consumer demand. The increase in prices was mostly observed in such categories as imported fruit and vegetables, household appliances, personal computers, smartphones, washing products, medical goods, and footwear. The growth rates of prices for meat products, hotel services, motor fuels, medicines, construction materials, and household appliances remained high in August, as evidenced by Rosstat's weekly data. Businesses' price expectations were up in August, especially in Moscow and the Ivanovo Region, which was associated with the increased pressure of rising costs, including due to the ruble weakening and greater optimism about future demand. Price expectations trended upwards in all key industries, most notably – in the industrial sector.

MONETARY CONDITIONS AND BANKING SECTOR. Companies reported that lending conditions tightened in most industries in August. Moscow manufacturing companies' borrowings were the main contributor to the expansion of the macro-region's corporate loan portfolio. This was promoted by the subsidised investment lending programme implemented in the capital, among other factors. A slower rise in mortgage lending in July decelerated the growth of the retail portfolio.

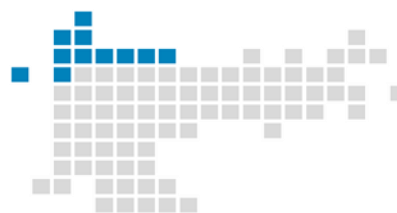
Besides, households' demand shifted towards new housing as government subsidised lending supports mostly this segment. Car lending continued to grow, reaching the peak last recorded in 2018. This was associated with the expanded supply of cars and an expected increase in prices, including because of the rise in the recycling fee from 1 August. Households' funds with banks were up in July.

PAINTS AND COATINGS INDUSTRY. The macro-region's enterprises account for over a half of the domestic output of paints and coatings. Manufacturers are able to fully meet the domestic demand for decorative (home) paints. The growth of consumer prices for oil paints and enamels slowed down in 2023 H1. Manufacturers of industrial paints and coatings remain highly dependent on imports. They are addressing this problem by both developing domestic production and substituting these goods for friendly states' alternatives. The Government of the Moscow Region and an Asian holding company signed an agreement to build a plant in the special economic zone in the Moscow metropolitan area to manufacture paints and glues for food packaging. Regional paints and coatings manufacturers are taking efforts to substitute raw materials previously imported from unfriendly countries. Thus, an enterprise in the Yaroslavl Region is expecting the delivery of equipment to manufacture resins that are subject to the sanctions. The macro-region's companies started to gradually take vacant niches in the manufacture of industrial paints and coatings, but are unable to compete with Asian products. The demand for products manufactured by the macro-region's enterprises from the main buyers of industrial paints and coatings remains subdued.

MEAT PRODUCTS. The macro-region accounts for nearly a half of the domestic output of meat products. The main contributors are the Belgorod, Bryansk and Vladimir Regions. The industry continues to ramp up output by commissioning new facilities in 2023. This expansion is supported by the growing raw material base. A high-tech pork processing enterprise in the Voronezh Region opened in May is starting to operate at its full capacity. The Vladimir Region is going to commission two meat processing plants before the end of 2023. The Moscow Region is reconstructing a large meat factory this year. However, manufacturers complain about a shortage of some specialists, namely veterinarians and livestock experts. Due to rising costs, including for maintenance of imported equipment, a large enterprise is going to raise prices for turkey products. Higher demand puts upward pressure on prices. Some companies are expanding the geography of exports: the Orel Region – to the East and the Tambov Region – to the West.

HIGHER EDUCATION SERVICES. Universities report higher demand for education at the IT and medical departments that are popular this year. Furthermore, state-funded engineering and technical education was still demanded as well. The proportion of state-funded places under postgraduate and internship programmes increased. Universities in the Moscow metropolitan area report a growing number of applicants from other regions for the 2023/2024 academic year, as compared to the previous year, owing to the expansion of the opportunities and the geography enabling students to send applications through the Public Services Portal. This was one of the reasons why universities were able to raise prices for their educational programmes. When setting prices for education, universities are guided by the limits on financing of professions set by Russia's Ministry of Science and Higher Education, the demand for educational programmes, and the inflation rate.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region continued to trend upwards in July–August. Wood processing enterprises ramped up output owing to rising domestic demand and expanding export opportunities. The automobile industry continued to restore, increasing the output of cars of both domestic and new foreign brands. A larger tourist flow contributed to the development of the tourism infrastructure.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region increased in July–August, compared to June. Households' propensity to save declined, and the percentage of respondents who made large purchases in recent months was up. Vacant areas in shopping and entertainment centres are being gradually filled as a result of the opening of new stores and the expansion of already operating stores of domestic and foreign brands of apparel and home improvement goods, as well as by entertainment companies. One of the factors boosting demand is rising wages. Real wages in the macro-region continued to grow (in annualised terms), driven by still high competition for workforce, among other factors. To address the problem of staff shortages in socially important industries, some regions are implementing support measures.

PRICES. Seasonally adjusted monthly price growth in the North-West sped up in July, and annual inflation edged up to 4.8%. Price movements were largely associated with the ruble weakening and rising demand. According to weekly data, price growth rates remained elevated in August. Companies of the macro-region increased their price expectations in August, predominantly because of the ruble depreciation. Price expectations were up in all industries, compared to July, most significantly – in trade and the industrial sector.

MONETARY CONDITIONS AND BANKING SECTOR. The annual growth rate of the corporate loan portfolio in the macro-region edged up in June, still surpassing the Russian average. Large trade, real estate and manufacturing companies were the main contributors to the expansion of the loan portfolio. The fast increase in corporate lending was driven by investment projects implemented in the macro-region, among other things. The demand for mortgages declined slightly in July, whereas the rise in the demand for consumer loans, including car loans, sped up. The inflow of households' funds into credit institutions, predominantly into current accounts, remained in July.

WOOD PROCESSING. Wood processing companies in the macro-region ramped up output in July owing to improved logistics and higher domestic demand. Rail and sea transportation costs related to product supplies to Asia decreased. As a result, enterprises were able to expand exports to Eastern destinations. However, current export quantities are still below those supplied earlier to Europe. In order to boost exports, government authorities introduced a new support measure at the end of July to partially compensate for lumber transportation costs via North-Western seaports. Plants previously owned by foreigners, that were idle for a certain period, are resuming their operation. Specifically, a factory in the Leningrad Region, earlier owned by a European company, manufactured the first furniture items under its own brand. Domestic demand for

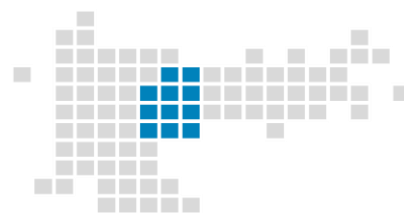
wood products was supported by the real estate market. In particular, a trade company reported that cabinet furniture sales in 2023 significantly exceeded last year's figures. According to the survey, wood processing enterprises in the North-West expect a rise in the demand for their products in the near future.

AUTOMOBILE INDUSTRY. Similarly to Russia in general, the North-Western macro-region continues to restore motor vehicle manufacturing. In August, a large automobile plant launched an assembly facility to manufacture vehicles of a new Asian brand which is the fourth one already. By the end of the year, the plant is going to expand the product range to 20–22 car models of various brands. The macro-region is also developing the manufacture of Russian brands' motor vehicles. In June, a plant in Saint Petersburg started manufacturing vehicles of the largest Russian brand. Furthermore, the North-Western macro-region is implementing projects to manufacture domestic electric cars. Thus, a regional automobile enterprise will make a pilot batch of small electric cars under its own brand by the end of this year. The revival in the Russian automobile industry is boosting the demand for components. A Pskov-based manufacturer of electric equipment for motor vehicles reported an increase in the utilisation rate of its production capacities and an expansion of its product range. A manufacturer of seat covers and headrests in Novgorod ramped up the output of end products to meet higher demand from an auto manufacturer in another macro-region.

TOURISM. Most regions in the North-West recorded a larger tourist flow this year. The occupancy rate of Saint Petersburg hotels in summer exceeded last year's level. In addition, Saint Petersburg is now actively promoted among tourists in friendly countries. In August, the city was visited by the first group of Chinese tourists under the renewed agreement on visa-free tourist group exchanges. Chinese tourists' interest in travel to Russia, including the North-Western regions, is growing. The macro-region is still facing the deficit of accommodation for tourists. To address this problem, several regions are taking efforts to increase the number of accommodation facilities. Thus, Karelia and the Kaliningrad Region opened several new facilities over May–July. Motor ship trips and boat rides are becoming increasingly popular among tourists visiting the North-Western macro-region. Specifically, the Leningrad Region completed the construction of several new berths by the beginning of the summer season, improving the accessibility of its tourist locations.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



Consumer expenditures in the macro-region were growing moderately in July–August. The recovery of automobile enterprises' output was accompanied by the localisation of the production of technology-intensive components, but the deficit of certain components still persisted. As a result of unfavourable weather conditions, the grain harvest is expected to be lower than in 2022. The growth of consumer prices in July was largely driven by prices in volatile product categories. Companies in various industries increased their short-term price expectations and reported that lending conditions tightened.

CONSUMPTION AND INCOMES. The growth of consumer activity in the macro-region slowed down slightly in June–July. This trend continued in August, as evident from lower estimates of current and expected demand based on the findings of retailers' survey. However, higher inflation expectations due to a weaker ruble caused a temporary rise in the demand for electronic devices and household appliances, as well as cars. According to some auto dealers, elevated demand could not be met due to inadequate supply, including because of logistics issues. Besides, the demand for car repair services trended upwards. Shopping mall traffic increased, exceeding last year's level. Nevertheless, businesses reported that traffic was still below the pre-crisis figures of 2021 or 2019. Consumers demonstrated high demand for entertainment services, as well as cafés and restaurants. However, turnover in public catering contracted for the first time since the beginning of the year, as compared to the previous month, although staying high.

PRICES. Annual inflation in the macro-region sped up to 4.2% in July. Monthly price growth (seasonally adjusted) exceeded 10% in annualised terms. The surge in inflation was provoked by price movements in the most volatile product categories such as fruit and vegetables, as well as higher fuel prices. Moreover, the ruble weakening caused a faster rise in prices for electronic devices and household appliances. As before, prices for foreign travel put elevated proinflationary pressure, whereas the contribution of domestic tourism decreased. Businesses' price expectations, including in retail, soared in July–August.

MONETARY CONDITIONS AND BANKING SECTOR. The annual expansion of the corporate loan portfolio was considerably faster in early July month-on-month. However, according to the monitoring of companies, lending conditions tightened in August. Consumer lending trended upwards in July, with the monthly growth rate of outstanding loans hitting a four-year high. Contrastingly, the monthly increase in mortgage lending slowed down slightly, although its pace was still at 2022 peaks. Moreover, the overall amount of mortgages issued under government subsidised programmes, including the Family Mortgage programme, the mortgage programme for IT specialists and the new housing mortgage programme, reached the highest level on record. The annual growth rate

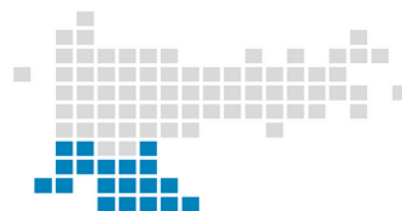
of households' funds with banks in July remained the same as in June. Long-term deposits and demand accounts were still the major contributors to the inflow of funds.

AUTOMOBILE INDUSTRY. Automobile enterprises continued to restore output in July–August 2023, although difficulties with supplies of auto components and staff shortages became more acute. Due to the persistent deficit of certain components, a large auto group was forced to reschedule a part of its corporate holidays from December to late July and decided to temporarily change its priorities in manufacturing towards structurally simpler and more localised models. In July, the enterprise improved the configuration of one of such models. In August, it significantly expanded output by launching the assembly on weekends and organising overtime work. The demand for inexpensive cars still surpasses their supply. Therefore, as the auto group ramped up output, its sales continued to go up in recent months. Concurrently, enterprises were increasing the localisation. In particular, a manufacturer of light commercial vehicles relaunched its diesel engine plant in July. Besides, in August, it started a project for organising the manufacture of transmissions and switched from SKD assembly of one of its key models to fully integrated production. Furthermore, it also plans to start CKD assembly of another model in September. The assembly will be arranged at a large automobile plant in the macro-region.

AGRICULTURE. In August, Volga-Vyatka was actively harvesting main agricultural crops. According to recent data, the grain harvest was slightly lower year-on-year. The forecasts of the 2023 harvest of grains and grain legumes were also lower than last year, but still comparable with 2017–2021 averages. Unfavourable weather conditions were the main reason for the harvest decline. Precipitation in some regions was insufficient in June–July, which caused soil drought, partial crop failure, and lower harvest. Moreover, according to the surveys of agricultural companies, their costs and expectations about output prices increased in July–August. In particular, agricultural firms complained about higher prices for diesel fuels and mineral fertilisers, as well as prices for materials (vaccines, seeds, spare parts for agricultural machinery) dependent on the foreign exchange rate.

TOURISM. The tourist flow in Volga-Vyatka during the summer months exceeded last year's figures. As reported by travel agencies, the increase in the number of tourists visiting the macro-region is driven by active development of the tourism infrastructure and the shift of demand towards domestic tourism. Many regions recorded a rise in the average occupancy rates of accommodation facilities. Hotels in the largest tourism regions faced a deficit of rooms. They believe that a decline in the depth of booking and a higher number of unplanned trips significantly increase the workload on companies in the tourism industry, namely with regard to planning procurements and preparing rooms and events. Good transport accessibility of tourism regions and intense cultural programmes are the reasons why tourists visiting the macro-region prefer short-term planning of their holidays. The deficit of employees, mostly line and administrative personnel, exacerbated the workload on companies in the industry. In some cases, staff shortages forced companies to decrease the occupancy rates in order to maintain proper quality of their services.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Consumer activity in the macro-region trended upwards in July–August. Inflation sped up due to rising demand and a weaker ruble. Businesses' price expectations reached the highest level over the past year. As prices for foreign travel were up, the macro-region's resorts recorded a larger number of tourists. Corporate lending slightly expanded, including because of government subsidised lending programmes. The commissioning of new housing exceeded last year's level, but declined compared to June. Construction companies expect that demand will shift from existing to new homes.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer activity in the macro-region rose somewhat in July–August, especially in non-food retail. Thus, a clothing factory in Rostov-on-Don increased the planned number of points of sale to be opened by over 20%. A large auto dealer in the Krasnodar Territory reported high demand for new Asian cars and used foreign-made cars. The value of commercial services, namely in entertainment, was up as well. Specifically, Rostov Region cinemas' box office revenue nearly doubled year-on-year. Households' incomes continued to grow as companies increased wages amid low unemployment and staff shortages. In particular, an agricultural enterprise in the Republic of Adygeya raised wages by 20%. A Volgograd-based passenger transportation company plans to raise wages for the second time this year in order to hire and retain employees.

PRICES. Annual inflation in the macro-region sped up to 4.7% in July. Monthly price growth (seasonally adjusted) accelerated as well. The rise was associated with higher demand in certain market segments and growing business costs amid the ruble weakening. Specifically, livestock producers faced an increase in costs for imported feed additives, equipment, and spare parts. The growth of prices for imported and domestic cars sped up, due to which demand shifted towards cheaper used cars and new domestic cars. In August, companies' price expectations rose to the highest level over the past year across all main industries, most notably in the industrial sector and agriculture.

MONETARY CONDITIONS AND BANKING SECTOR. According to recent data, businesses' demand for new loans edged up slightly in July—the first half of August, which was associated with an easing of collateral requirements for borrowers, among other factors. Another driver was subsidised lending, as before. Regional credit institutions continued to expand corporate lending using government support measures. Thus, in July, a bank issued a loan within the government programme Industrial Mortgage for the implementation of two investment projects in the Krasnodar Territory. As price conditions tightened, banks expect that businesses' credit activity will decline in the future, whereas the demand for subsidised loans will remain steady. The demand for retail loans edged down slightly in August, and the amount of new subsidised mortgages continued to expand. Banks expect that demand will shift from existing to new homes.

Besides, higher interest rates boosted the inflow of funds into bank deposits and demand deposit accounts.

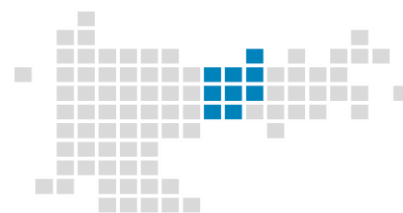
TOURISM. Tourists' demand partially shifted towards domestic resorts. As before, this was associated with the ruble depreciation. In the first half of August, the tourist flow to the macro-region exceeded last year's level. The Krasnodar Territory and the North Caucasus were demanded the most. The number of tourists to the Krasnodar Territory increased by a third year-on-year. The occupancy rates of the health resort and tourist complexes at the Black Sea coast were close to the maximum. The development of the tourism infrastructure contributed to the increase in the tourist flow. Thus, over the past several months, the Krasnodar Territory opened a number of multi-star hotels with a total capacity of over 1,000 rooms. As before, the Republic of Dagestan was the most popular destination in the North Caucasus, with the number of tourists hitting a new high. However, hotels reported that the depth⁴ of booking continued to decline.

HOUSING MARKET. Southern construction companies became more optimistic in August with regard to both demand and supply. A number of developers in the South expect a shift in demand from existing to new homes. In these conditions, a developer in the Stavropol Territory raised prices, including due to higher costs. A construction company in the Republic of North Ossetia–Alania also complained about rising costs and plans to increase prices during the next three months. Concurrently, housing supply was expanding: the commissioning of new homes increased in July (in annualised terms) and exceeded the Russian average, while the area of new projects started this year remained the same year-on-year. In particular, a developer from the Krasnodar Territory entered the Top-10 by the area of commissioned housing across Russia in general. Rostov-on-Don began a new project to construct housing in the area of a non-operating airport.

AGRICULTURE. The South continues harvesting, the pace of which is higher than last year. The harvest of vegetables and potatoes is expected to rise year-on-year. The harvest of grains is forecast to be smaller than in the previous year, but higher than multi-year averages. Government support measures remained a major driver of output. Specifically, increased budget financing in the Stavropol Territory helped deploy new agricultural technologies and start using high-yielding varieties, which boosted the output of vegetables at greenhouse complexes. Investment growth will support the output of animal products. Thus, the Republic of Dagestan is completing the construction of a commercial dairy farm that will help increase the output of milk and dairy products in the region. The modernisation of a poultry farm in the Astrakhan Region will make it possible to breed new species, which will boost the output of eggs.

⁴ The period between booking and check-in dates.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer activity in the Urals continued to trend upwards in July–August, predominantly as a result of expanding demand for durables and increasing lending. Consumer price growth sped up. Businesses' price expectations and costs were up due to the ruble weakening. Companies' and households' credit activity remained high, but slowed down in the second half of the month because of higher credit rates. Metallurgical enterprises continued to expand output owing to high domestic demand. The supply of animal products shrank somewhat, dragged down by one-off factors.

CONSUMPTION AND INCOMES. Households were increasing spending on durables (cars, household appliances, and furniture) in July–August. Contrastingly, the level of consumer activity in all other segments did not change compared to previous months. According to retailers, the growth of turnover was driven by the modification of the product range and an increase in consumers' loyalty to new cheaper brands. In these conditions, the sales of new imported cars, mostly of Chinese brands, were surging. However, companies became less optimistic about future demand and the market situation. A greater number of respondents complained about rising costs and business risks. Competition among employers in the labour market declined somewhat, primarily because of a lower number of vacancies for low- and semi-skilled workers. However, the majority of surveyed companies still complained about the shortage of qualified specialists. The deficit of administrative staff became more acute.

PRICES. Monthly price growth (seasonally adjusted) in the Urals soared in July (in annualised terms). Annual inflation sped up to 3.1%. The ruble depreciation and higher consumer activity accelerated the increase in prices for fruit and vegetables, cars, and other durables. Services price growth (in annualised terms) slowed down as the regular annual indexation of utility tariffs had been rescheduled from July 2023 to December 2022. Companies in most industries raised their price expectations (seasonally adjusted), most notably – in agriculture and the industrial sector. The major reasons were the ruble weakening and higher prices for fuels and lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. In July–the first half of August, credit activity continued to trend upwards overall. Besides, the demand for loans from manufacturing, construction and transport companies remained high. According to recent data, in the second half of August, credit rates increased for all categories of borrowers, and short-term deposit rates were up as well. This contained credit activity, primarily in the retail segment. Banks report a rise in households' demand for ruble deposits and expect this trend to continue in the next few months.

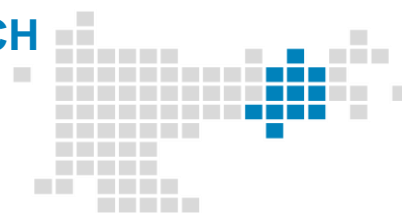
METALLURGY. Metallurgical enterprises' output was boosted by higher domestic demand for cold-rolled products and zinc- and polymer-coated rolled products. This was mostly associated with recovering demand from automobile, railcar manufacturing, oil and gas, and energy enterprises. As to pipe products, oil and gas companies demonstrated elevated demand for seamless pipes, and construction enterprises – for structural pipes. According to metallurgical enterprises, the major reasons preventing them from expanding exports are logistics issues caused by excessively high

utilisation of the Eastern railway infrastructure and a slow rebound in external demand. Nevertheless, a metallurgical plant in the Orenburg Region reported an increase in cast iron exports in July–August, which became possible owing to the upgrade of its production facilities. A metallurgical enterprise in the Republic of Bashkortostan ramped up its output by relaunching the modernised and overhauled unit making zinc-coated low-carbon steel wire used in construction. To support the largest metallurgical enterprises, in July, the Chelyabinsk Region began a project to build a plant manufacturing forged rolls for cold and hot rolling mills. This project is financed through a subsidised loan issued by the Industrial Development Fund within the Priority Projects programme. Furthermore, the Chelyabinsk Region is completing the construction of a zinc electrolysis plant.

OIL REFINING. In July, oil supplies to Ural oil refineries remained nearly at the same level. According to enterprises, they were sticking to output targets and had no problems with oil supplies for refining. Fuel exports became more profitable, but started to contract in July–August. Some enterprises complained about difficulties with fuel transportation to Southern and Eastern destinations. Besides, according to market participants' estimates, domestic demand for fuels expanded during the summer months because of higher demand for domestic tourism, longer logistics routes, and companies' switch to automobile deliveries due to excessively high utilisation of the railway system. Some regions continued preventive maintenance of fuel production units, which was another reason for a slight reduction in the output of petroleum products compared to June.

LIVESTOCK PRODUCTION. In 2023 H1, the output of slaughter poultry and cattle (live weight) in the Urals was lower year-on-year. Due to a production surplus, enterprises in the Chelyabinsk Region reported a decrease in the cattle and poultry population. The Republic of Bashkortostan and the Perm Territory reported bird flu episodes, due to which they were forced to dispose of a part of products. Livestock breeding companies complained about staff shortages hindering an increase in output. Nevertheless, they continued to implement investment projects aimed at import substitution. In August, the Tyumen Region commissioned a turkey breeding farm (as early as 2023 Q4, it will supply over one million hatching eggs monthly to poultry farms, thus covering 20% of domestic demand). Sverdlovsk Region producers of hatching eggs, egg layers and breeder flock are upgrading and expanding their facilities. In July–August, livestock breeding companies complained about rising feed prices and input costs. Due to the dry summer, fodder conservation in several Ural regions decreased, which entailed a rise in the demand for grains. Moreover, imported feed additives became more expensive because of the ruble weakening.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



Consumer activity in the macro-region continued to trend upwards in July–August, driven by a rise in households' incomes and retail lending, among other factors. Economic activity in Siberia was up, compared to 2023 H1. Coal enterprises expanded output and exports. As export-related problems were settled gradually, this helped restore output in wood processing. Software engineering companies were actively offering their products to Siberian industrial enterprises and small businesses.

CONSUMPTION AND INCOMES. Households' demand for foreign travel, apartments, and cars in Siberia trended upwards in July–August. Travel agencies in the Krasnoyarsk Territory reported that the demand for foreign travel remained high in July despite the ruble depreciation. People were actively booking tours for September–October. According to Siberian developers, the demand for real estate exceeded last year's level. The demand for new and used cars was up amid the news about the rise in the recycling fee from 1 August and the restrictions on car supplies from one of the Asian countries, as well buyers' desire to purchase cars on credit at lower interest rates. Thus, Irkutsk auto dealers reported a rise in demand. The number of vacant jobs still exceeded the number of CVs. A higher percentage of companies were facing staff shortages. Consequently, employers were forced to raise wages.

PRICES. Annual price growth in the macro-region sped up from 3.2% in June 2023 to 4.1% in July, predominantly driven by the ruble weakening that pushed up prices for goods with a high import component, including fruit, electronic devices, and cars. Most Siberian companies, especially in trade and the industrial sector, expect a faster rise in prices during the next three months. As reported by enterprises, the main reasons are the ruble depreciation and higher prices for fuels and lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. Companies' demand for loans remained steady in June–July 2023. The loan portfolios of both large corporates and small and medium-sized businesses expanded. Metallurgical and trade enterprises raised the largest amount of new loans. According to the monitoring of businesses, corporate lending conditions tightened somewhat. Retail lending continued to expand fast. Households' demand for car loans notably increased, which was partially associated with higher supply of new cars of Chinese brands. Attractive terms of ruble-denominated time deposits ensure a stable inflow of funds into credit institutions. According to credit institutions' recent data, large banks, and later on Siberian regional banks, started to raise interest rates on short-term ruble deposits (to 12% per annum) following the increase in the Bank of Russia key rate.

COAL MINING. The surplus of metallurgical coal in the global market persisted in July–August, which contributed to a further decline in prices. In these conditions, the output of coking coal is surging. In July, Kuzbass ramped up its output by 10.4% year-on-year. The output of metallurgical coal increased by 3.6%. Companies are gradually tackling their problems with shipments. Supplies to the East from the regions that signed agreements on guaranteed quantities of coal shipments are expanding most quickly. Thus, over January–July 2023, Kuzbass increased

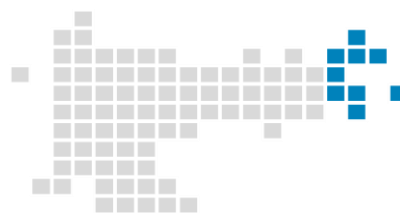
shipments to Eastern destinations by 16% in annualised terms. Today, technical upgrade is the priority for coal companies. As reported by a large Siberian coal producer, capital expenditures are growing despite lower revenues. This rise is associated with the implementation of investment projects, including the opening of a new coal face and equipment relocation. One of the goals is expansion into new markets.

WOOD PROCESSING. Siberian wood processing is still below the 2022 level due to logistics problems. In early June 2023, the Russian Government permitted automobile transportation of sawn lumber through motor vehicle border crossings in the south of Western Siberia. Adjusting the priorities in railway transportation and prioritising timber cargoes were essential to support the industry. As a result, Siberian wood processing companies started to relaunch previously idle facilities and resumed the implementation of the contracts suspended earlier. As of the end of July 2023, enterprises expanded the output of particle boards, plywood, and sawn lumber. According to a large Siberian wood processing company, it shipped the first railway vehicle of 62 forty-foot containers with lumber to Asia. Previously, the company had been exporting its products in six to ten containers by local freight trains. The producer upgraded its loading site and plans regular shipments in railway vehicles.

INFORMATION TECHNOLOGIES. The sanctions on foreign software are shifting demand to Siberian IT companies' software. According to the Russian Information Technology Development Foundation, in 2022, enterprises of the Krasnoyarsk Territory and the Novosibirsk Region alone purchased over 20,000 licences for domestic software, which is several times more than in 2021. In 2023, engineering companies are starting to sell new software products as well. The development of the industry creates high demand for specialists, especially medium- and high-level engineers. Companies' demand for infrastructure and equipment increases. Further on, the implementation of programmes for the transition of a large number of critical infrastructures to domestic software might expand the IT industry's contribution to the Siberian economy.

BANK OF RUSSIA FAR EASTERN

MAIN BRANCH



Consumer activity in the macro-region continued to go up in July–August. Businesses' price expectations rose due to the ruble weakening. The expansion of lending sped up. Seaports' container transportation increased to the highest level. The imbalance between exported and imported cargoes in seaports became more acute, which provoked a shortage of empty rolling stock. The proportion of fish product supplies to the domestic market and Asian countries was up. The number of tourists in the Far East edged up, driven by the growth of the domestic tourist flow and the restoration of inbound tourism.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region continued to trend upwards in July–August, exceeding the level of 2021 Q4. Besides, the percentage of households' spending on staples increased in almost all regions in July year-on-year. The food segment recorded a rise in the average purchase amount. A large retailer of digital devices and household appliances in Kamchatka reported higher demand: the company's turnover as of the end of January–July was nearly one-fourth higher year-on-year. According to a large retailer of electronic devices in Yakutia, the demand for equipment of new brands increased. An auto dealer in the Primorye Territory recorded a rise in the demand for Chinese cars. However, sales of new cars stayed below the level of 2021. The increase in inbound tourism boosted the demand for public catering. As shown by the survey of companies, short-term expectations about demand slightly worsened in retail, but improved in services.

PRICES. Annual inflation in the macro-region sped up to 4.6% in July. Seasonally adjusted price growth accelerated across a wider product range than in June. Higher consumer demand and the pass-through of the ruble weakening to prices pushed up prices for a range of household appliances, TV sets, and smartphones. Another driver of a faster increase in car prices was the announced rise in the recycling fee from 1 August, as well as the restrictions on car supplies imposed by one of the Asian countries. Higher prices for petroleum products in the wholesale market caused an increase in retail petrol prices. The ruble weakening accelerated the growth of prices for imported fruit and vegetables. The increase in prices for services slowed down, primarily because of a decline in prices (seasonally adjusted) for travel to Southeast Asia and for health resorts and recreation centres, after their surge in June. According to weekly data, consumer price growth sped up in August. Prices for seasonal vegetables soared in the second half of August because flooding destroyed part of the harvest in the Primorye Territory. Businesses' price expectations rose in August. Trade companies and food manufacturers reported their plans to raise prices in the next few months due to a faster increase in costs.

MONETARY CONDITIONS AND BANKING SECTOR. The expansion of corporate lending sped up as of early July due to the issue of large loans to companies in trade, agriculture, mining, and manufacturing. In July–August, enterprises increased the demand for working capital loans. The growth of consumer lending accelerated in July. According to recent data, households' demand

for loans remained high in August, which supported the rise in consumer activity. A regional credit institution reported higher demand for car loans and long-term non-purpose loans secured by real estate. The demand for mortgages stayed high in July, primarily driven by government subsidised programmes. The inflow of households' funds into bank deposits decelerated in July. The increase in deposit rates in August did not cause a significant inflow of funds into time deposits, as evident from recent data.

LOGISTICS. Freight traffic in Far Eastern seaports hit a new high in July. In June–August, Asian carriers launched several new container services through Far Eastern seaports, which helped reduce the tariffs by a fourth by early September, as compared to June. Seaports' container transportation in July was 5% higher than the monthly average over January–June 2023. Besides, the quantities of imports were 1.8 times larger than those of exports. Considering a more acute imbalance, transport companies complained about a shortage of empty rolling stock for delivering imported goods to the western regions of the country. To expand container supplies and redistribute the workload at terminals, the import from China to Russia was launched at the end of July along the railway bridge in the Jewish Autonomous Region opened at the end of 2022. Furthermore, a large seaport commissioned a new storage facility adjacent to the rail road in order to ensure fast container shipping. The list of cargoes transported through the motor vehicle border crossing in the Amur Region was extended.

TOURISM. In 2023, the Far East demonstrated the most significant increase in domestic tourism, compared to all other macro-regions. Some regions recorded a surge in the number of tourists by over a third year-on-year. All recreation centres in the Primorye Territory had been booked already before the start of the summer season. All tours to the Kuril Islands had been sold out. Tour operators reported that demand considerably exceeded supply. In July, the railway in the Khabarovsk Territory launched a weekend trip to the mountain lake with visiting a number of sights. The increase in the number of tourists from all over Russia was also driven by the launch of additional flights and flights to new destinations. The macro-region recorded a recovery in inbound tourism owing to the resumption of tourist trips from one of the Asian countries beginning from February 2023. However, inbound tourism reached only one-third compared to the pre-pandemic level. The macro-region's companies were extensively constructing and upgrading recreation centres. Specifically, Magadan commissioned several new tourist complexes in summer.

FISHING AND FISH PROCESSING. Pacific Ocean salmon fishing in June–August was 2.6 times and 56% higher than during the same period of 2022 and 2021, respectively. Amid growing supply, wholesale prices for pink salmon plummeted by a third year-on-year. Contrastingly, prices for the main species of salmon exports (red salmon and chum salmon) edged up slightly. Most companies reported an increase in the proportion of supplies to the domestic market. However, costs for railway transportation to Central Russia nearly doubled in August compared to early June. Businesses recorded a larger share of exports to Asia and a contraction of supplies to Europe. Large fishing enterprises complained about higher costs for and lower quality of ship repairs at foreign shipyards. This was why the proportion of works at their own facilities or Far Eastern shipyards increased.

BOX 1

SITUATION IN REGIONAL LABOUR MARKETS

The demand for labour soared in 2023 H1 because of the expansion of import substituting facilities and the state order. As the increase in labour resources was minor, this growth exacerbated staff shortages. According to the Bank of Russia's surveys, this deficit was especially acute in manufacturing, primarily machine building and chemical production. By July 2023, the unemployment rate dropped to its record low of 3.0%. Considering the staff deficit, companies were actively raising wages to retain and hire employees. Rising wages in turn intensified inflationary pressure.

DEMAND FOR LABOUR

The demand for labour (the ratio between the employed and vacant jobs) surged in 2023 H1, whereas the unemployment rate declined to its record low (Chart 1).

According to the Bank of Russia's recent survey, in August, 60% of businesses complained about a deficit of personnel, largely – of qualified specialists. The percentage of companies facing staff shortages was the highest in manufacturing, particularly in machine building and chemical production (Charts 2 and 3). According to the surveys, in June, the labour utilisation rate in general reached the highest level on record (Chart 1).

As reported by enterprises, the rise in the demand for labour was mostly driven by the expansion of production following foreign companies' exit from the Russian market and the increase in the state order. Specifically, the demand for labour soared at **import substituting facilities** seeking to take the vacant niches after a large number of foreign companies had exited the Russian market. An ironworks in the Republic of Karelia that had started full-scale production of cast iron parts for locomotive engines previously exported from Europe hired an additional number of workers. An industrial group making measuring equipment in the Chelyabinsk Region and a large ball screw manufacturer in the Republic of Bashkortostan were actively hiring new employees to expand their product ranges and output within import substitution. A laser system and equipment manufacturer in the Kaluga Region is increasing the number of its employees as it plans to considerably expand its production facilities and fully substitute imported products.

There was a significant increase in the **government order** to a number of metal product manufacturers in the Voronezh, Vladimir, Tambov and Novosibirsk Regions. As a result, these enterprises introduced three work shifts. An instrument manufacturer in the Southern macro-region introduced the fourth work shift. The number of people employed in the manufacture of fabricated metal products in the Urals surged by nearly 18% over 2023 H1, compared to the same period of 2021.

According to the recent survey carried out in August, almost 80% of enterprises complained about personnel recruitment problems. The main reasons were job seekers' inadequate qualification level and elevated expectations about wages. Moreover, the importance of these reasons nearly doubled as compared with the results of the survey as of the end of 2022.

SUPPLY OF LABOUR

Over January–July 2023, the number of labour resources edged up by 100,000 people (seasonally adjusted), or 0.1%. This growth was less significant than the increase in employers' demand for workers. The supply and demand gap hit a new record low (Chart 1). The **number of workers slightly rose** as a result of the inflow of labour migrants⁵ and a higher level of residents' participation in the labour force. Some surveyed enterprises reported a **larger number of employed migrants**. Thus, a footwear manufacturer in the Republic of Ingushetia hired specialists from Middle Asia to fulfil the state order. Clothing manufacturers in the Rostov and Kaliningrad Regions hired foreign garment workers.

Considering that the situation with staff shortages and wage rises was uneven, this caused a **transfer of employees across industries**. The outflow of workers was recorded from trade, services and agriculture to manufacturing and construction. Manufacturing enterprises hired the largest number of workers from other industries in the majority of the macro-regions (Chart 4), which was because this sector raised wages most notably due to a larger number of orders.

In 2023, companies reported an **inflow of domestic labour migrants into the new regions** because of higher wages offered there, specifically into construction and agriculture, as well as an inflow of drivers and loaders, predominantly from the Central, Siberian and Southern macro-regions. Besides, as before, domestic labour migrants prefer large cities offering higher wages, especially in the Central and North-Western macro-regions. Thus, as Moscow is located close to the western territories of the Vladimir Region, this exacerbated staff shortages in the region because a lot of its residents prefer commuting to work in the capital. The outflow of workers to large interregional centres is a problem in other macro-regions as well. Many enterprises in the Mari El Republic complained about the migration of labour resources to the Republic of Tatarstan that offers higher wages and has an advanced infrastructure. Contrastingly, the Sverdlovsk and Chelyabinsk Regions that significantly raised wages recorded a decline in the outflow of staff to other regions of the country, including to the North, compared to last year.

COMPANIES' ADAPTATION TO STAFF SHORTAGES

Because of more acute staff shortages, many **enterprises were raising wages** (Chart 5) as the main measure to retain and hire specialists. According to the Bank of Russia's recent survey, 75% of companies have already increased wages beginning from early 2023. Wages surged in such manufacturing sectors as chemical production and machine building. Thus, an automobile plant in the North-Western macro-region raised wages by 20% this year in order to retain the current staff and hire new employees for launching new motor vehicle production lines. A Far Eastern shipyard, expanding production amid the deficit of qualified specialists, raised wages by 27%. A machine builder in Kuzbass increased remuneration by 20% by paying higher bonuses. Furthermore, nearly 30% of the surveyed enterprises are going to raise wages before the end of the year. The smallest increases in wages in 2023 were recorded in trade, services, mining, and agriculture.

Another form of adaptation to the deficit of workers and job seekers with required competencies was the **development of staff training and retraining programmes**. Specifically, the Republic of Bashkortostan offers free professional retraining and advanced training programmes for the most demanded professions and hires employees through targeted university admission programmes. The largest aircraft enterprises in the Novosibirsk Region and the Republic of Buryatia hire young specialists, including under training contracts, in order to enable them to work with coaches and

⁵ According to the Ministry of Internal Affairs.

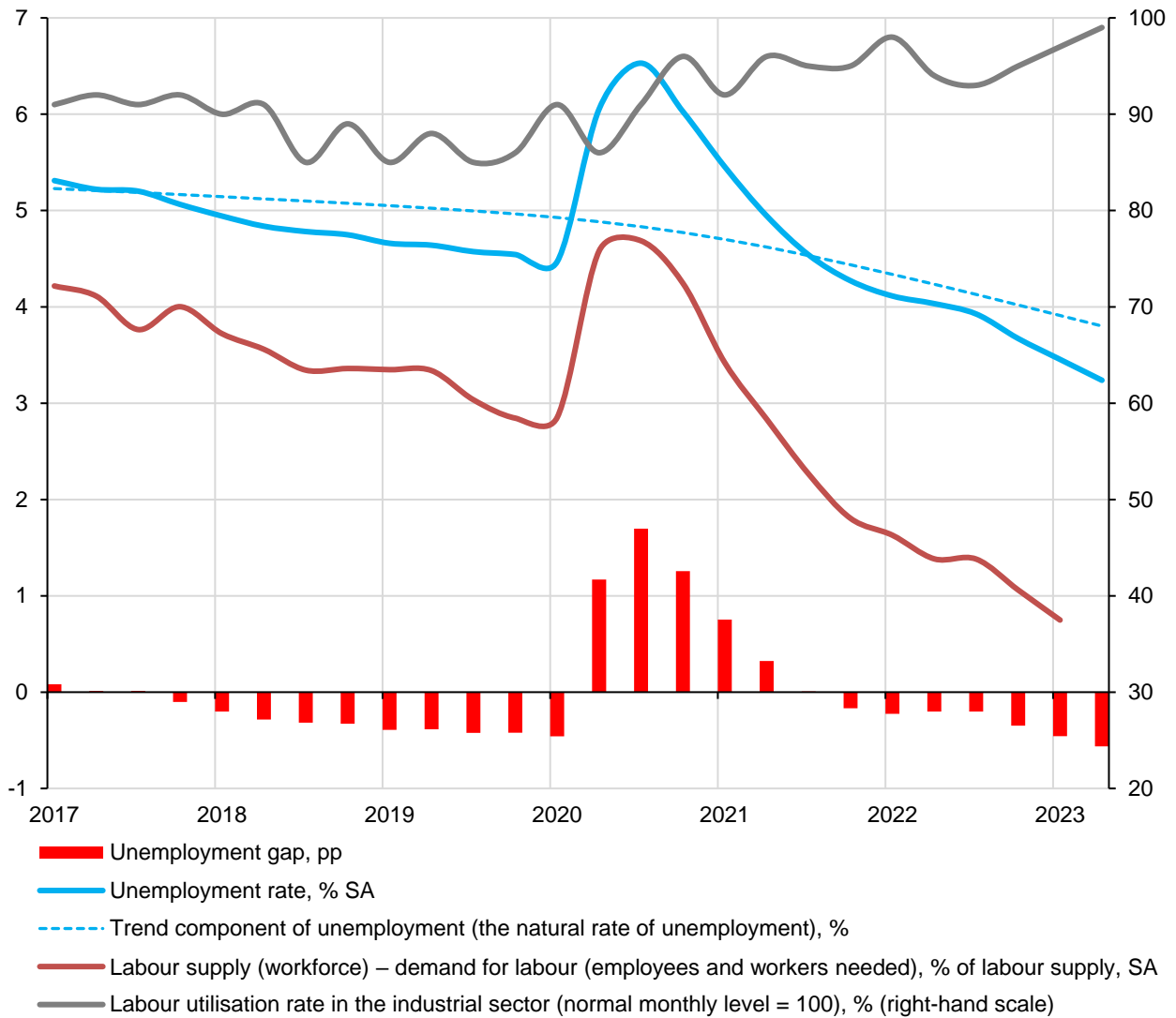
master their professions within three months. The Republic of Karelia compensates costs from budgetary funds to companies retraining their staff and job seekers, opening their own corporate training centres, and developing apprenticeship programmes. To hire highly qualified specialists of some categories, a Kaliningrad-based enterprise started training future employees long before commissioning its new production facility. Already at the stage of construction of its lithium-ion battery factory, this company, jointly with a regional university, developed an educational programme for students–future employees.

Companies and authorities in some regions are implementing support measures aimed at **increasing labour mobility** and hiring workers from other regions. The Republic of Karelia hires highly qualified specialists of certain categories under programmes compensating for companies' costs for employees' mortgage down payment or housing purchase. Companies receive subsidies for hiring employees moving from not only other regions, but also municipalities within the same region. An aircraft manufacturer in the Ulyanovsk Region offers the option of renting rooms in a family dormitory and approved a housing programme providing for a wide list of bonuses from reimbursement of interest on earlier raised mortgages to zero-interest microloans for a mortgage down payment to employees arriving from other Russian regions and foreign countries.

Some companies also reported successful **deployment of automation technologies** helping reduce the need for workers. A metal product manufacturer in the Altai Territory launched a robotic manipulator. One of the largest household chemical manufacturers in the Southern macro-region improved labour productivity by installing an automatic bottle capping line, thus reducing its need for personnel by 7.5%. However, the substitution of labour for capital was complicated due to higher costs for creating one technologically advanced workplace that were rising because of the ruble weakening and problems with high-technology imports.

In 2023, the demand for labour surged, most notably in certain manufacturing sectors. Moreover, the number of workers increased less than companies' demand for labour resources, which exacerbated staff shortages. Considering higher competition for personnel, some industries (machine building and chemical production) are raising wages more significantly. If staff shortages become more acute and labour supply remains limited, these factors will have a notable proinflationary effect.

Chart 1. Situation in the labour market and the use of labour resources in Russia



Sources: Rosstat, Russian Economic Barometer, Bank of Russia calculations.

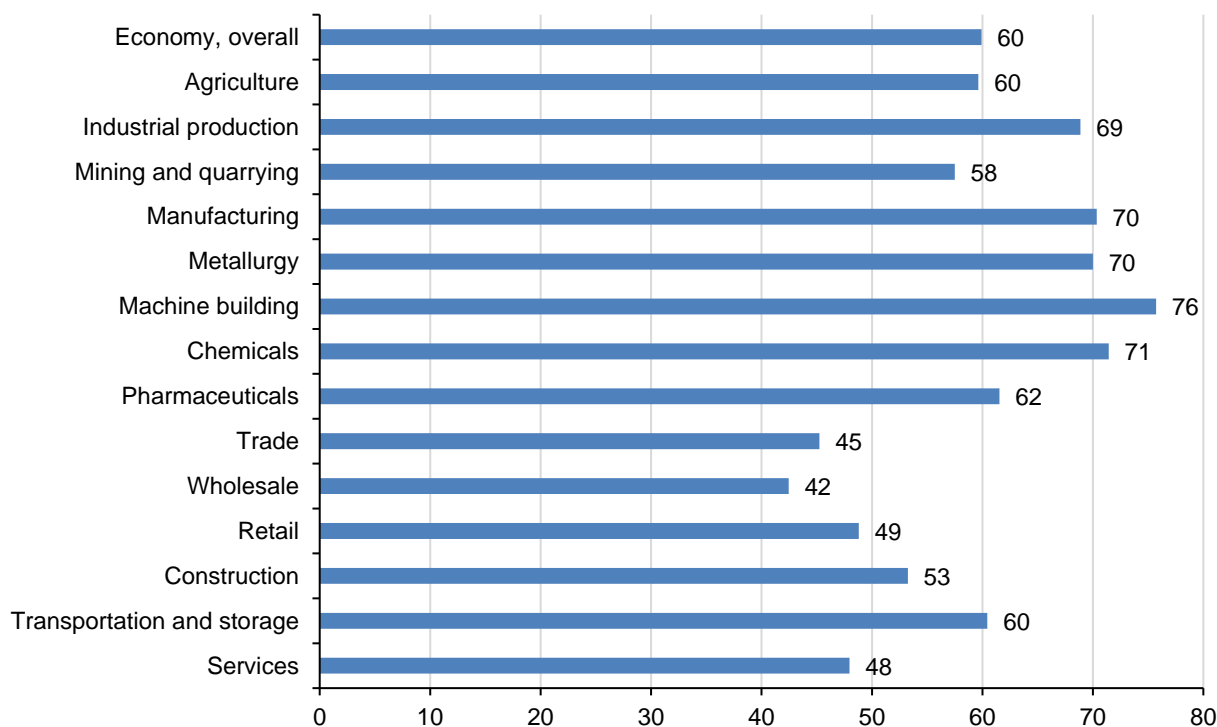
Note. The unemployment gap measured as the difference between the unemployment rate and its trend component approximates cyclical unemployment that is becoming notably negative, indicating overheating in the Russian labour market and economy. The minimum difference between labour supply and demand is also evidence of increased tightness in the labour market. More acute staff shortages entail an increase in labour utilisation.

Chart 2. Change in the percentage of companies reporting staff shortages in August 2023 and December 2022, pp (in the brackets – the percentage of companies in the total number of respondents in August)

	Russia	MB for the Central FD	North-Western FD	Southern FD	Volga FD	Urals FD	Siberian FD	Far Eastern FD
Economy, overall	+15 pp (60%)	+17 pp (67%)	+14 pp (55%)	+15 pp (41%)	+19 pp (67%)	+11 pp (66%)	+16 pp (66%)	+13 pp (62%)
Agriculture	+14 pp (60%)	+28 pp (78%)	+5 pp (52%)	-8 pp (21%)	-5 pp (73%)	+19 pp (72%)	–	+42 pp (75%)
Mining and quarrying	+16 pp (58%)	–	–	–	–	+6 pp (59%)	+20 pp (70%)	–
Manufacturing	+16 pp (70%)	+10 pp (74%)	+21 pp (71%)	+23 pp (52%)	+21 pp (72%)	+20 pp (83%)	+13 pp (73%)	+14 pp (68%)
Trade	+18 pp (45%)	+37 pp (52%)	+9 pp (32%)	+17 pp (31%)	+16 pp (60%)	+7 p.p. (33%)	+25 pp (66%)	+2 pp (50%)
Construction	+11 pp (53%)	+10 pp (53%)	+10 pp (41%)	+0 pp (33%)	–	+23 pp (75%)	+7 p.p. (63%)	+17 pp (67%)
Transport	+15 pp (60%)	+43 pp (85%)	+7 p.p. (60%)	+24 pp (52%)	+13 pp (50%)	-41 pp (30%)	+33 pp (73%)	-2 pp (73%)
Services	+6 pp (48%)	-15 pp (31%)	+30 pp (64%)	+5 pp (50%)	+26 pp (56%)	+1 pp (57%)	-5 pp (40%)	+9 pp (40%)

Source: Bank of Russia's recent surveys of businesses.

Chart 3. Percentage of companies facing staff shortages (according to the Bank of Russia's survey in August 2023), %



Source: Bank of Russia's recent surveys of businesses.

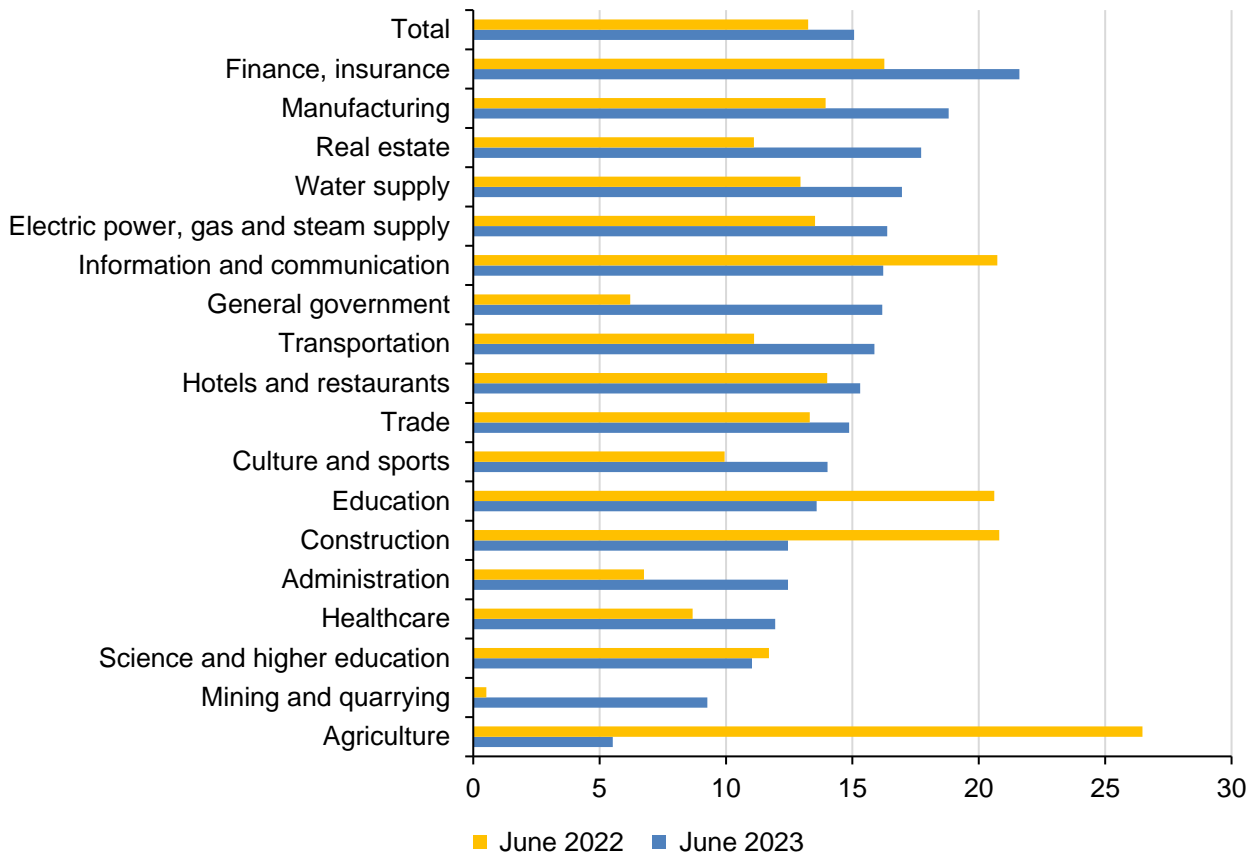
Chart 4. Average headcount (excluding external part-time workers) across all organisations, % in 2023 H1 vs 2021 H1



Note. The size of the circle corresponds to the industry's share in total employment.

Sources: Rosstat, Bank of Russia calculations.

Chart 5. Growth of nominal wages, % year-on-year



Source: Rosstat.

BOX 2.

EXPORT LOGISTICS AMID THE STRUCTURAL TRANSFORMATION OF THE ECONOMY

In 2022, the sanctions and logistics problems⁶ significantly changed the structure and main destinations of exports. Increasingly larger quantities of goods are exported to Asia and the CIS. Companies are arranging supply routes to Africa and Latin America. The rearrangement of Russian export flows continues. According to the Bank of Russia's recent surveys of companies, the proportion of exporters reporting no problems with supplies increased from 41% to 55% over the year. However, the changes in supply destinations made logistics chains longer, which often entails higher costs for suppliers.

KEY CHANGES IN EXPORT FLOWS

The unprecedentedly large-scale sanctions enacted against the Russian economy in 2022 caused notable shifts in the structure of exports in terms of both goods and destinations. The proportion of fuel and energy commodities in the value of exports increased in 2022 year-on-year, whereas the share of metals, wood, pulp and paper, and chemicals contracted (Chart 1). Most goods previously exported to Europe are supplied to new sales markets in Asia. However, the progress of this process and, accordingly, export growth rates significantly vary across industries, as evident from the Bank of Russia's surveys of businesses, among other data (Chart 2).

Commodities. By **redirecting the export of fuel and energy commodities from Europe to Eastern and Southern destinations**, companies increased their total transshipment in seaports by 4.8% (in annualised terms) over the first seven months of 2023 (Chart 3).

The surveyed Volga-Vyatka **oil enterprises** reported expanded supplies to foreign countries, although overall exports shrank in 2023 H1. Some companies were forced to change their usual commodity transportation methods to ensure supplies to Asia.

In 2023 H1, the largest share of **coal** produced in the Far East was exported to Asian countries. Thus, a major coal producer in the Khabarovsk Territory used to supply its products mostly to the EU until 2022, whereas now it exports 75% of its products to Asia and the remaining share – to Africa and the Middle East. The demand for Russian coal from Asian-Pacific countries remains high, including owing to a flexible discount system. As a result, enterprises are expanding supplies to their current partners and entering new sales markets. However, the transport infrastructure (namely, insufficient throughput capacity of the Eastern railway section, seaports and border terminals) limits the potential to ramp up exports.

Intermediate goods. **Changes in the logistics of the export of main intermediate goods, specifically metals, fertilisers and grains, often entailed a rise in transportation costs and/or a contraction in supplies.**

The refocusing from the European market had the strongest negative effect on **forestry** enterprises in the North-Western macro-region. They began to more actively rearrange supply routes,

⁶ For details on freight logistics, refer to the report [Regional Economy: Commentaries by Bank of Russia Main Branches, No. 21, July 2023, Box 3 'Industry focus. Freight logistics'](#).

export their goods to new destinations, and take vacant niches in the Russian market. In particular, a wood processing enterprise in the Arkhangelsk Region that had previously exported its goods to Europe redirected its supplies to Asia, North Africa, and the Middle East. Currently, goods are transported abroad by railway and sea (through the Big Port of Saint Petersburg). However, the company complains that the redirection of freight traffic has not yet offset the earlier contracts, due to which it had to decrease its output targets. This is why the enterprise is planning to export its goods through the Astrakhan special economic zone in the seaport along the international North–South transport corridor.

The geography of **fertiliser** exports has also changed. Thus, a Murmansk-based enterprise started to actively ramp up exports to the CIS after the supplies to Europe had terminated. Another large fertiliser producer in the North-Western macro-region was able to fully substitute seaports in the Baltic states, through which it had previously exported its goods, for Russian seaports. Overall, fertiliser transshipment through the Baltic basin ports surged 2.7 times (in annualised terms) over January–July 2023 (Chart 4). However, some companies still fail to fully restore their export quantities. Specifically, a Volga-Vyatka mineral fertiliser producer complained that the termination of exports via the pipeline forced it to partly redirect supplies to other markets. In 2022, the company transformed its logistics to railway transportation, but was able to offset only a part of its earlier exports.

A similar problem was reported by a large **metallurgical** enterprise in Vologda. Despite partial redirection of supplies from Europe to the CIS, it was unable to maintain exports at the previous level: earlier, exports accounted for 40% of its sales, whereas now this share is only 20%. Nevertheless, in 2023, the company was able to ramp up output and restore the utilisation rate of its facilities owing to high domestic demand driven by, among other factors, a gradual improvement of the situation in automobile production and the expansion in construction.

Contrastingly, exports in a number of other industries, namely **agricultural processing**, increased. In particular, a wheat processing company in the Tyumen Region tripled its exports over 2022 alone, continuing to expand supplies in 2023 as well. It redirected exports to the CIS and Asia. In addition, the agroindustrial holding company is carrying out work to establish international logistics centres, including one – in Africa. Moreover, companies are actively developing new destinations for supplying agricultural products from the Southern regions of Russia, namely wheat – to North Africa and East Africa, and sunflower oil and grain legumes – to South Asia, the Middle East, and the Gulf States.

Investment goods. Most surveyed companies manufacturing investment goods were expanding exports, thus increasing supplies to new sales markets. In particular, an Orenburg-based plastic pipe and fitting factory ramped up exports to the CIS by over 10% this year. The company plans to expand the geography of supplies, including to Central and East Asia in the near future. A manufacturer of electronic devices in the Chuvash Republic managed to arrange efficient schemes for exporting solar modules to Africa and the CIS. A Rostov-based manufacturer of precision farming systems also redirected supplies to the CIS, thus doubling its exports in 2022.

Consumer goods. Consumer goods manufacturers successfully redirected part of exports and found new buyers in friendly countries. By signing contracts with new suppliers of raw materials and components, they can expand product supplies to the domestic market. Specifically, after the termination of trade relationships by European buyers, a Kaliningrad-based fish product manufacturer exports nearly 20% of its products to the CIS and sells the other 80%

in the domestic market. Far Eastern fishing and fish processing enterprises are also expanding their supplies to new sales markets, including in Africa and Southeast Asia.

Government support. Federal and regional support measures promoted successful adaptation of logistics and helped expand exports. Most enterprises applied to regional export centres in order to receive a compensation for up to 80% of costs for cargo transportation inside Russia. Business missions to friendly states were especially demanded. This enabled companies to take part in foreign trade fairs, offer their products on marketplaces, and expand into new sales markets. In particular, within one of the business missions, an agroindustrial company opened several foreign points of sale in the Middle East. In addition, in summer 2023, the Russian Government approved the subsidy to compensate⁷ for costs incurred by forestry enterprises transporting their goods through North-Western seaports, which will also support businesses.

IMPACT OF LOGISTICS CHANGES ON RUSSIAN REGIONS' ECONOMY

Rearrangement of logistics significantly increased exporters' costs, especially in regions distant from new sales markets. Thus, forestry enterprises in the North-Western macro-region reported that their costs for product supplies soared in 2022, namely 2.4 times – to Asia and more than four times – to Africa. This surge was caused by the exit of international container carriers from the Russian market, among other factors. A number of companies complained about lower profitability of exports, which still limits their potential to ramp up output and exports. Nevertheless, the situation with logistics costs is gradually stabilising in certain regions. Specifically, according to the Russian leading forestry holding company, costs for sawn lumber supplies from North-Western regions to Eastern destinations declined six times in August 2023 after peaking in late 2022–early 2023. One of the main reasons for such a change in the tariffs is rising competition among rail container operators for exporting cargoes to Asia. Costs for sea transportation to Asia decreased as well.

Changes in logistics caused staff shortages and a rise in wages in freight transportation. In particular, this is reported by companies in the Central and Southern macro-regions. Specifically, due to the lengthening of the routes and their redirection from Western to Eastern destinations, enterprises in Central Russia significantly increased the demand for drivers whose deficit in the labour market is estimated at 20–25%. Long-distance truck drivers in the Smolensk Region are among the highest-paid categories of workers. The Southern macro-region more than doubled the demand for logistics personnel (in annualised terms). According to experts' estimates, the number of new vacant jobs in transportation and logistics across Russia in general surged by 40% (in annualised terms) over 2023 H1, whereas the number of CVs edged down by 10%. **Furthermore, redirection of freight traffic from Western to Eastern destinations also impacted the operation of organisations in related industries.** Thus, as road transportation from the Central macro-region to Western destinations plummeted, the demand for roadside infrastructure services (hotels, cafés, and automobile repair shops) declined.

Implementation of large investment projects will help address logistics issues and expand Russian companies' export potential. Currently, a strategically important project is being implemented earlier than planned. This project is the development of the international North–South transport corridor that does not only help expand trade turnover, but is also boosting construction and modernisation of logistics centres, commercial seaports, special economic zones, and transit

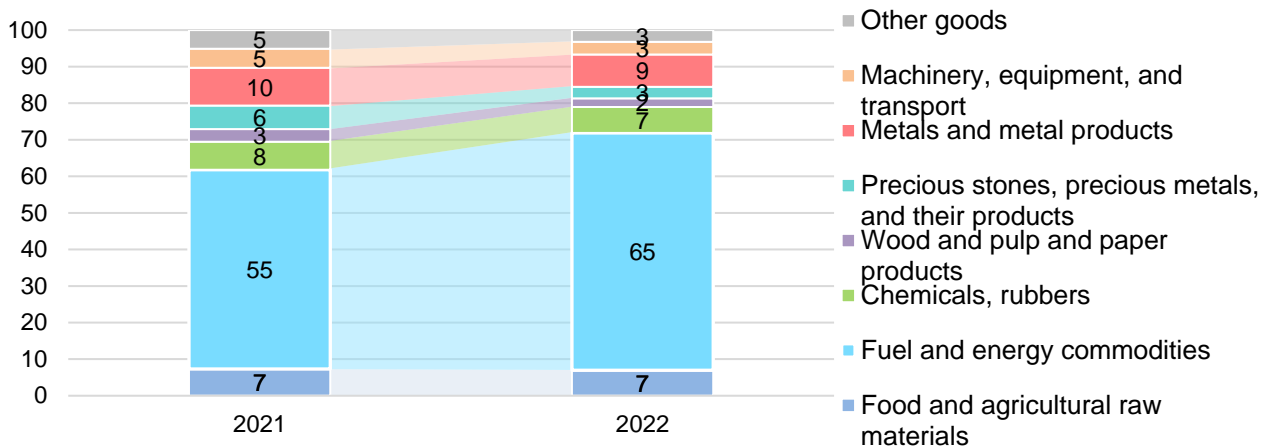
⁷ The subsidy provides for a compensation for up to 80% of forestry enterprises' transportation costs, but no more than 50% of the value of supplies.

routes. Freight traffic is expected to double and reach 30 million tonnes by 2025 and increase further to 35 million tonnes by 2030. **As the implementation of large infrastructure development projects progresses, Southern seaports are solidifying their positions as transportation hubs.** Specifically, Novorossiysk is designing new port terminals, which can increase freight traffic by approximately 10% in annualised terms. A universal complex for transshipment of cargoes, including metallurgical goods, that is currently under construction, will boost freight traffic and help companies expand into new sales markets.

The Far East continues upgrading the railway infrastructure of the Baikal-Amur Mainline and the Trans-Siberian Railway. Reconstruction of the Eastern railway section will eliminate a number of problems caused by very high utilisation of the railway infrastructure, and carrying capacity is expected to surge 1.5 times to 180 million tonnes by 2024 and then increase further to 255 million tonnes by 2032. **As before, development of the Northern Sea Route is a priority for the North-Western macro-region.** The Republic of Komi launched the construction of a transport corridor to the Northern Sea Route, including the Sosnogorsk–Indiga railway and the Indiga deep water port. This will enable mining and processing companies of Central Russia, the Urals, and Western Siberia to expand into promising global markets, reduce cargo transportation time by approximately 72 hours, and considerably decrease the workload on the Trans-Siberian Railway. Other Russian regions are also actively implementing various investment projects in logistics. **The Central, Volga-Vyatka and Urals macro-regions are developing infrastructure that will support exports,** building railways, highways and large transportation and logistics complexes. The border districts of the Trans-Baikal Territory are upgrading infrastructure and reconstructing border crossing points, which will help increase the throughput capacity by about 27% by 2028.

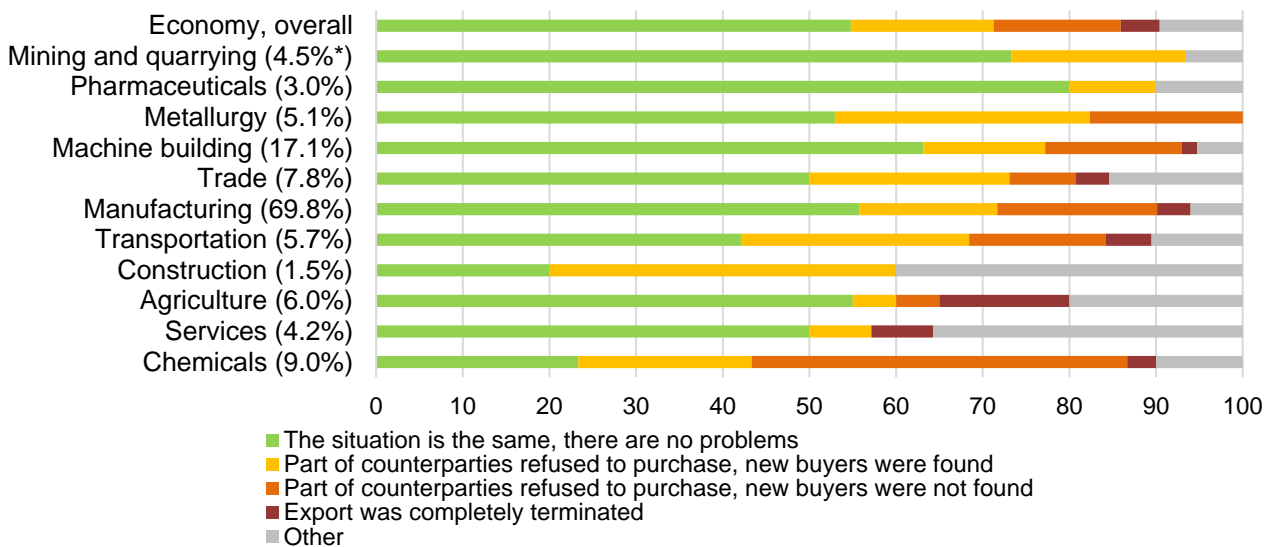
The development of new logistics chains and a reduction in railway and sea transportation costs owing to rising competition among carriers will enable companies in various industries to expand output and exports already in the near future. Implementation of investment projects in logistics and transportation will help open new production facilities, including in related industries, create new jobs, and increase the overall potential of the economy.

Chart 1. Exported goods in value terms, %



Sources: Russia's Federal Customs Service, Bank of Russia calculations.

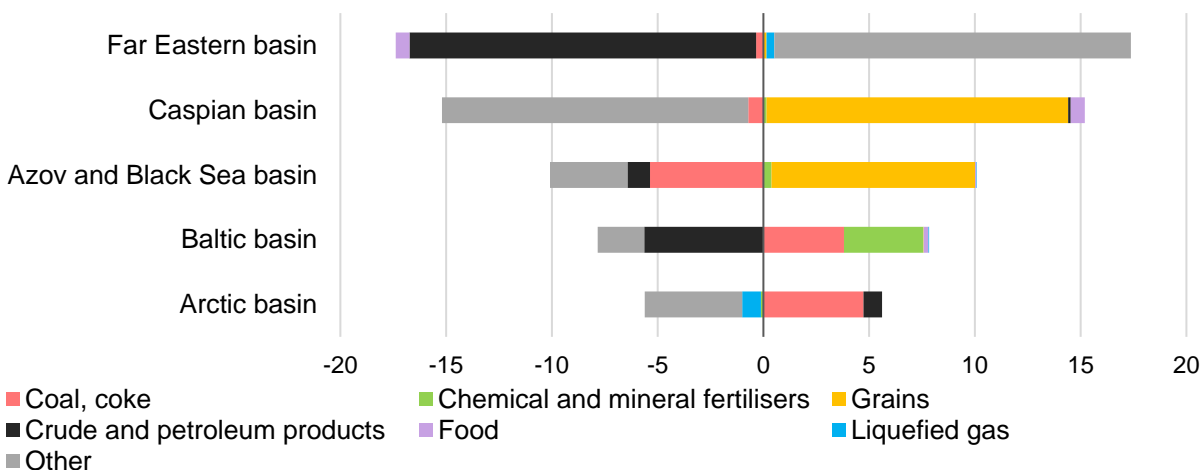
Chart 2. Situation with exports in August 2023
(share of exporters who responded to the question), %



* The share of respondents in the industry among surveyed exporters.

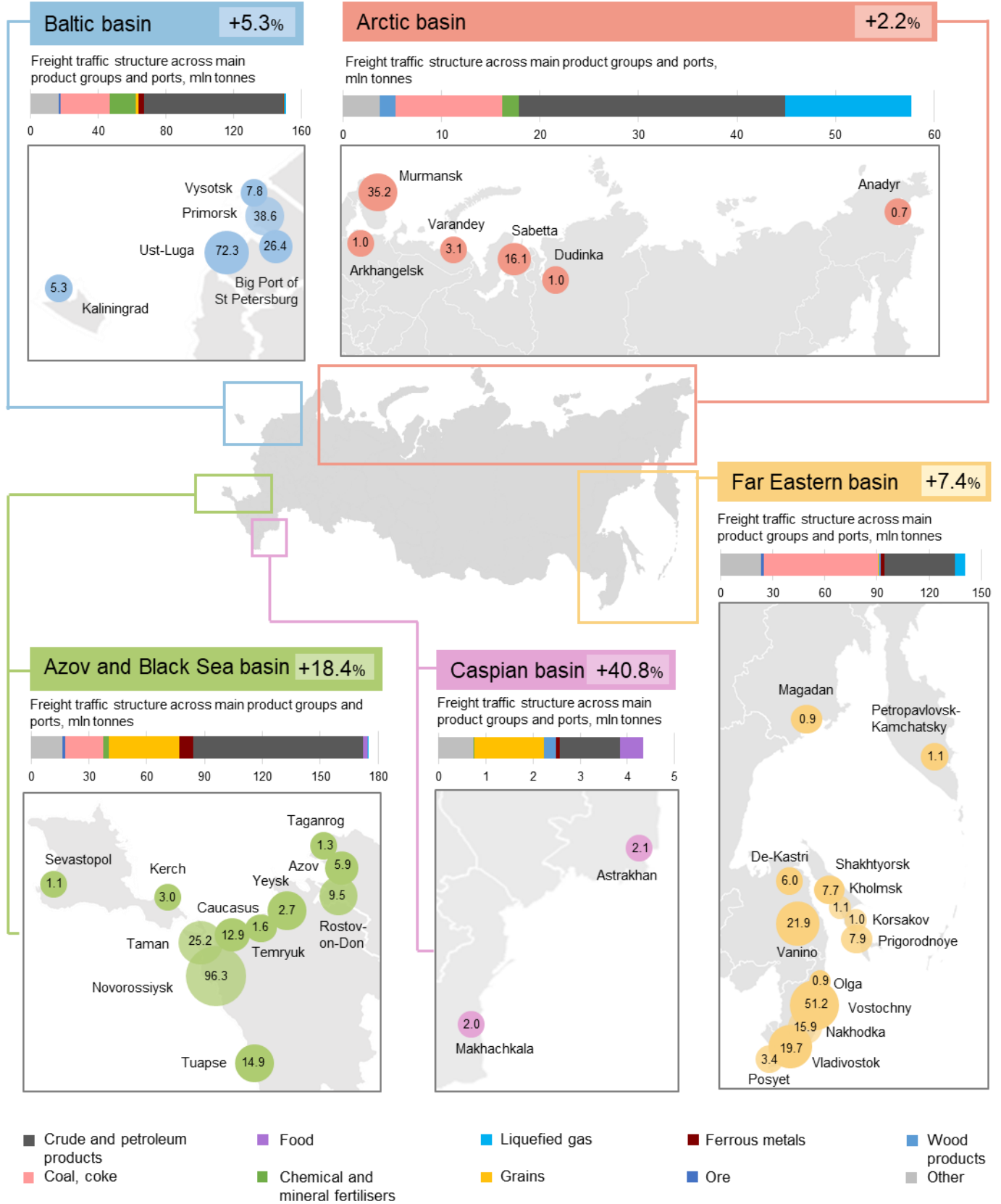
Source: the Bank of Russia's recent survey of companies.

Chart 3. Russian seaports' freight traffic in main categories, by the basin, January–July 2023 YoY, pp



Sources: AO Mortsentr-TEK, Bank of Russia calculations.

Chart 4. Russian seaports' freight traffic in main categories, by the basin, January–July 2023, mln tonnes, % growth in annualised terms



Sources: AO Mortsentr-TEK, Bank of Russia calculations.

BOX 3.

INDUSTRY FOCUS. WOOD PROCESSING: FURNITURE MANUFACTURING

Russian wood processing enterprises faced severe external challenges. As a result, the industry's output contracted by about 10%, according to Rosstat. Since early 2023, business activity has been progressively rebounding, although some problems still persist. A major consumer of wood products is the furniture industry that is also a vivid example of the structural transformation of the economy. In 2022, the contraction of households' demand for furniture and a number of supply-side factors entailed a decline in output. Nevertheless, the industry coped with this challenge rather quickly: output bounced back already by the end of 2022.⁸ After certain foreign companies had exited the Russian market, domestic manufacturers started to actively fill the vacant niches. From early 2023, the demand for furniture has been recovering gradually. Higher consumer activity has a positive effect on enterprises' output and investment activity. The industry plans to implement large projects during the next three years, including within import substitution.

The demand for a considerable proportion of wood products (primarily, boards: plywood, particle boards, fibreboards, and others) from Asian and other alternative markets is insufficient. Another reason is a decrease in competitiveness due to high costs for supplies from European Russia (for details, see pages 13 and 22). Considering such conditions, it is critical to promote domestic consumption of wood products. **The furniture industry demonstrates high demand for them. Expanding output is also supporting a whole range of related industries, including manufacturers of textiles, polymers and metals for fittings.** Furthermore, the furniture industry is a vivid example of the structural transformation of the economy that started in 2022.

The furniture industry is relatively small, accounting for about 0.5% and 1% in production and manufacturing, respectively. Similarly to a significant number of industries in the Russian economy, in 2022, the furniture industry faced the closure of European markets and the necessity to adjust its production facilities to new suppliers' needs. Besides, large companies that accounted for a notable proportion of not only internal sales, but also exports exited the Russian market. Finally, elevated macroeconomic uncertainty entailed a slump in furniture sales that started to bounce back only in 2023.

Nevertheless, beginning from mid-2022, the output of furniture in Russia has been growing sequentially and already notably surpasses the level of the quite successful fourth quarter of 2021 (hereinafter, according to the Bank of Russia's assessments based on Rosstat's data, seasonally adjusted). As estimated by the Association of Furniture and Woodworking Enterprises, in 2022, domestic manufacturers expanded their market share⁹ from about 60% to nearly 76%.

⁸ To the level of 2021 Q4 (seasonally adjusted), according to the Bank of Russia's assessment.

⁹ In value terms.

The geography of imports changed as well: the overall share of the largest furniture suppliers from friendly states surged from approximately 40% to almost 70%. The industry is implementing a whole range of investment projects to be launched in the next two to three years.

MANUFACTURE AND IMPORT OF COMPONENTS

The Russian furniture industry includes over 5,000 enterprises. Besides, the largest 25 companies account for more than 50% of total output. Major production facilities are concentrated in Central Russia and the Volga Region. According to Roslesinforg, in 2022 H1, domestic companies accounted for nearly 87% of the output of furniture in Russia, whereas foreign and joint enterprises – for approximately 12% and 1%, respectively. More than a half of retailers sell medium-price furniture, about a third of retailers – low-price furniture, and the remaining stores – premium furniture.

According to Rosstat, the output of furniture in Russia shrank by 2.6% in 2022. Nonetheless, as a result of price growth in 2022, manufacturers' revenues did not decline: the value of output increased by 15.2% year-on-year. Furniture manufacturers' profit margin edged up to 10.3% from 6.5% in 2021. This could become possible as domestic companies gained the market share of more expensive imported furniture after its manufacturers had exited the Russian market.

Difficulties with sales are one of the reasons for the contraction of output in 2022. Demand was declining faster than output, which caused an increase in stocks. According to the Bank of Russia's monitoring of businesses, the utilisation rate of production capacities in the industry in 2023 H1 was at the level of 2021 of approximately 74% (in 2019 – 69%). As estimated by industry analysts, the stocks of end products reached nearly 23% of total output as of the end of 2022 (compared to about 18–19% in 2017–2021). Besides, analysts expect that a considerable surplus of unsold products might remain in the next few years.

Already in 2022 Q4, the output of furniture rebounded to the level of 2021 Q4 (seasonally adjusted), as evident from the Bank of Russia's assessments. In July 2023, it exceeded this level by about 25%. The output growth is driven by higher consumer activity and nearly complete adaptation of companies to the changed conditions of manufacturing.

Before 2022, the furniture industry was highly dependent on foreign components. Low- and medium-price components (functional and exterior fittings) were mostly imported from Asia, whereas more expensive items (machinery components, rare woods, and furniture upholstery) – from Europe. Companies are still highly dependent on imported metal fittings and thermoplastic parts. According to industry analysts' data, the most import-intensive segments are kitchen furniture and storage systems (cabinets and wardrobes), whereas almost all board materials (laminated particle boards, kitchen counters, and MDF surfaces) are manufactured inside Russia. The deficit of resins in the plywood market caused by the shortage of phenol was almost covered. According to the Russian Ministry of Industry and Trade, phenol production in the country expanded starting from May 2023 in order to meet domestic consumers' needs.

DOMESTIC DEMAND AND PRICES

After a short-term surge in spring 2022, households' demand for furniture notably declined and stayed nearly unchanged for a long time. This was associated with a number of factors, including the exit of common brands from the market and people's steadily low propensity to consume. Another reason was households' propensity to postpone large purchases

during periods of a temporary rise in macroeconomic uncertainty, as evident from surveys ([Russian Public Opinion Research Centre](#) and [Romir research holding](#)).

However, in 2022, furniture became one of the fastest-growing categories on marketplaces. Major marketplaces report that furniture sales, product ranges, and the number of suppliers (including Russian companies that used to work only offline) surged several times in 2022. Another development area for marketplaces is cooperation with large retail chains, including those operating online. According to the Russian Association of Internet Trade Companies, over 2023 H1, furniture and home improvement goods accounted for nearly 17% of all online purchases.

Furniture is not a basic product – therefore, as the situation in the market stabilises, sales are normalising gradually. Besides, the effect of foreign brands' exit has weakened. Nearly 80% of surveyed consumers believe that the Russian industry has furniture manufacturers whose quality is comparable with that of brands that exited the Russian market, while designs and prices are the main parameters for them when they choose furniture.

In early 2023, the demand for furniture started to bounce back gradually. Industry analysts consider that this recovery was associated with the increase in commissioning of new homes, government purchases of furniture, and online trade. Cities actively building housing, including Moscow, Saint Petersburg and other million-plus cities, demonstrated the highest demand for furniture. Some regions of the South, the Urals, and Siberia also recorded large sales. According to the Bank of Russia's assessments, furniture sales are still below the level of 2021 Q4 (seasonally adjusted).

As reported by Rosstat, consumer prices for furniture edged up by 10.6% as of the end of 2022 year-on-year, predominantly due to the spike in March–April. Besides, consumer price growth was consistently slowing down from July 2022 and, then, prices started to decline from March 2023 (in annualised terms). In July 2023, consumer prices for furniture dropped by 1.3% year-on-year. As demand rebounds gradually, price dynamics will return to normal. Prices for furniture products (furniture and its parts) might be pushed up by supply-side factors, including higher logistics costs,¹⁰ additional restrictions on parallel imports, and the ruble weakening. The main channel of the influence of the exchange rate might be higher prices for imported components, whereas the effect of prices for ready-made furniture will be less significant.

IMPORT SUBSTITUTION AND FUTURE PROSPECTS

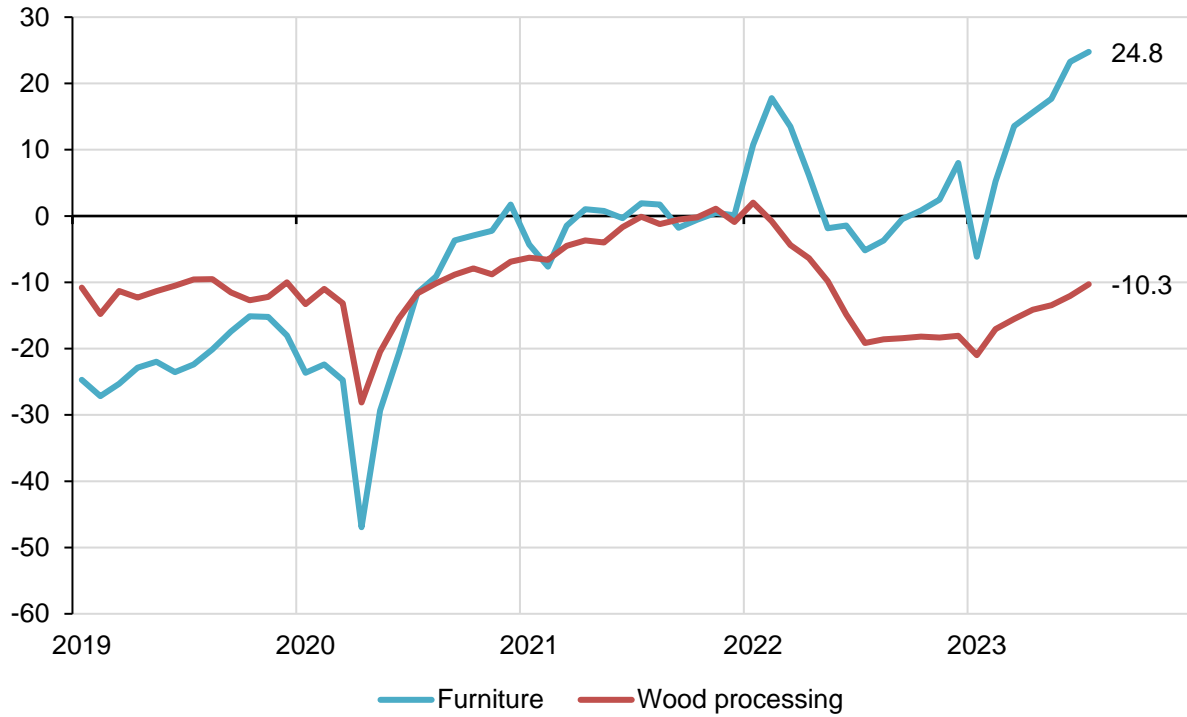
According to industry analysts, the proportion of imported ready-made furniture products (furniture and its parts) in the market contracted to about 24% over 2022 from 40% in the previous year. Moreover, domestic manufacturers have sufficient capacities to meet consumers' demand despite the exit of foreign competitors from the Russian market. Domestic enterprises are quickly filling the vacant niches, expanding their product range, enhancing the quality, ergonomic parameters and design of their goods, and diversifying sales channels. Thus, a large furniture manufacturer in Kaluga increased its output by 70% and expanded the model range over 2022. Companies in the Moscow, Voronezh and Nizhny Novgorod Regions redirected their exports from Europe to Asia and the Middle East where they are already opening their stores. Consumers' preferences are changing naturally as furniture ordered from abroad is becoming too expensive after the prices increased considering logistics costs.

¹⁰ For details, refer to the report [Regional Economy: Commentaries by Bank of Russia Main Branches, No. 21, July 2023, Box 3 'Industry focus. Freight logistics'](#).

Companies' investment activity is growing. The industry plans to implement large projects totalling over ₺25 billion during the next three years. Specifically, the Kaluga Region is going to build a factory to manufacture furniture and wardrobe systems, and Saint Petersburg will construct a manufacturing complex to make interior and entry doors. The Novgorod and Nizhny Novgorod Regions are preparing to commission facilities that will manufacture furniture components, including knitted fibres and furniture upholstery fabrics. The Moscow Region plans to open a facility producing special paints used in furniture manufacturing.

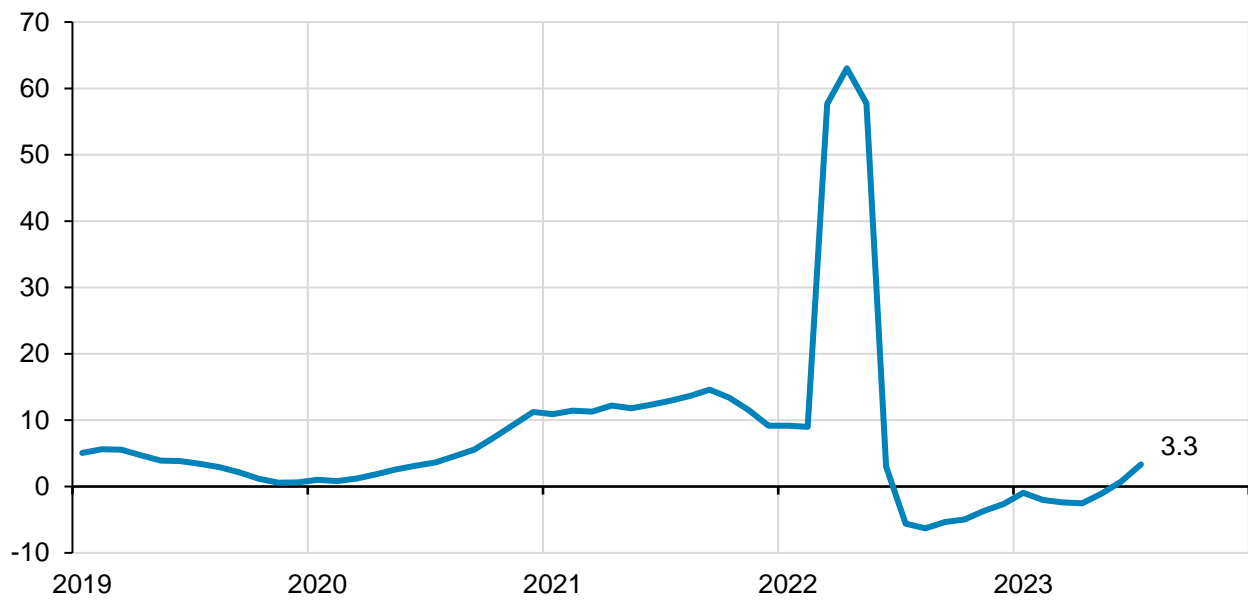
Import substitution is slowed down by companies' high dependence on imported machinery, materials and components. Thus, imported metal fittings and thermoplastic parts account for 95% and 80–90% of the total quantities, respectively. The range and quality of Russian furniture manufacturing equipment are currently worse than the European level. Nevertheless, the industry is developing, and already now some spare parts and assemblies for imported equipment are manufactured by domestic machine building plants. Besides, reverse engineering methods are used. If needed, machinery and spare parts can be replaced with alternatives imported from friendly states. From 2022, companies accelerated the process of substitution of simple imported fittings for domestic alternatives in limited quantities. This is because it is impossible to quickly open facilities manufacturing technology-intensive components and prices for metals are high in the Russian market. Imported upholstery fabrics account for nearly 90% and are supplied predominantly from friendly states, due to which manufacturers do not face any deficit. Imported fabrics can be partially substituted for Russian ones, except some special types, such as velours.

Chart 1. Output of wood products and furniture, % on 2021 Q4, SA



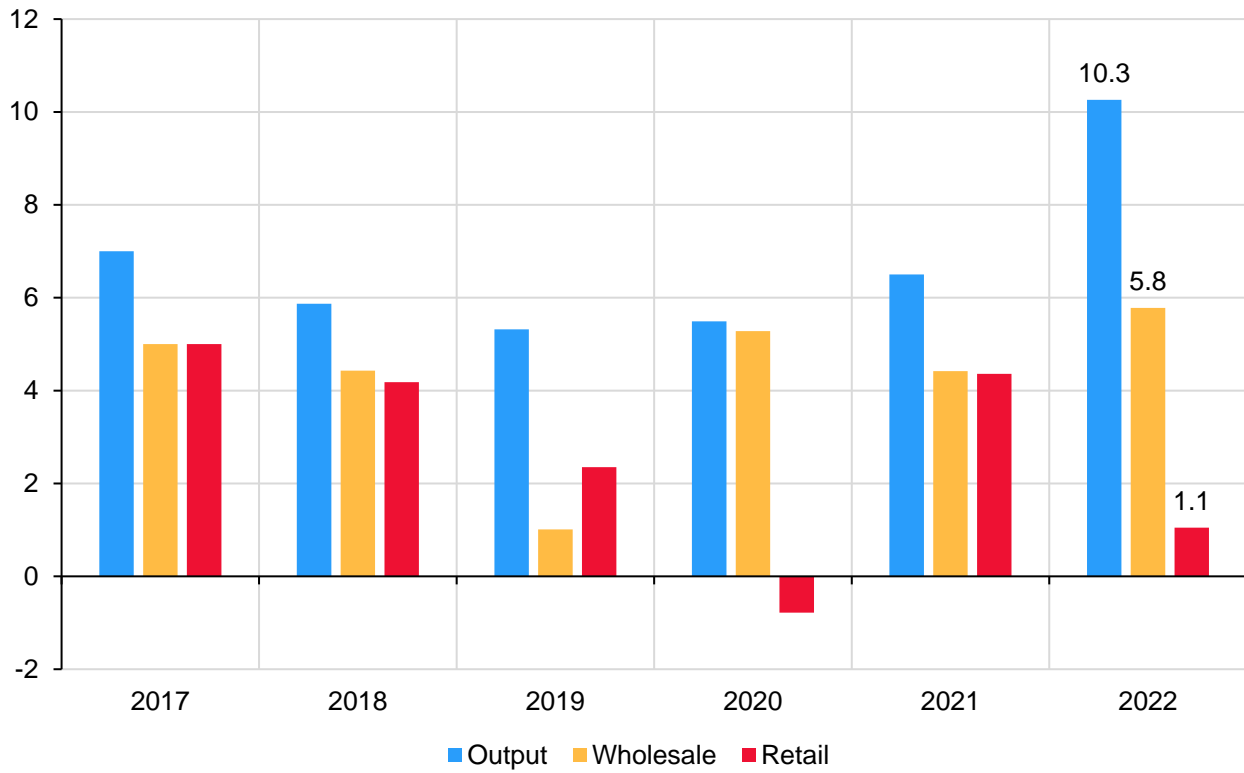
Sources: Rosstat, Bank of Russia calculations.

Chart 2. Consumer prices for furniture, % 3MMA SAAR



Sources: Rosstat, Bank of Russia calculations.

Chart 3. Profit margin in furniture, %



Sources: Rosstat, Bank of Russia calculations.

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.4	11.9	15.9	13.7	11.9	3.5	3.3	3.3	4.3	
Core inflation	% YoY	8.9	14.3	19.2	17.1	14.3	3.7	2.4	2.4	3.2	
Industrial production	3MMA, % YoY	6.3	0.6	-1.5	-0.3	-1.4	-1.2	5.8	5.8	5.8	
Fixed capital investment	Cumulative, % YoY	8.6	4.6	7.6	5.4	4.6	0.7	7.6			
Construction	3MMA, % YoY	7.0	5.2	3.6	5.2	6.9	8.9	9.7	9.7	9.7	
Housing commissioning	3MMA, % YoY	12.7	11.0	24.8	1.7	-21.4	-1.2	-0.6	-0.6	4.0	
Retail	3MMA, % YoY	7.8	-6.5	-9.6	-9.8	-9.6	-7.0	9.0	9.0	9.9	
Commercial services	3MMA, % YoY	17.2	5.0	3.3	3.9	3.0	2.8	5.0	5.0	5.1	
Real wages	3MMA, % YoY	4.5	0.3	-5.5	-2.0	0.4	1.6	11.4	11.4		
Real disposable income	% YoY	3.9	-1.5	-1.7	-4.3	-0.6	3.0	5.0			
Unemployment	% SA	4.8	3.9	4.0	3.9	3.7	3.5	3.2	3.2	3.1	
Outstanding consumer loans	% YoY	19.5	2.5	7.1	4.3	2.5	4.9	12.4	12.4	14.3	
Outstanding mortgage loans	% YoY	26.7	17.6	18.3	16.8	17.6	16.0	23.5	23.5	23.4	
Funds in escrow accounts	% YoY	158	32.7	76.3	53.7	32.7	11.8	15.0	15.0	16.9	
Non-financial organisations' outstanding bank loans	% YoY	14.6	19.7	15.6	16.7	19.7	19.4	23.9	23.9		
• Large borrowers	% YoY	12.3	17.6	13.3	13.8	17.6	17.7	21.9	21.9		
• SMEs	% YoY	27.5	29.9	26.5	31.8	29.9	27.6	32.1	32.1		
Companies' price expectations	Balance of responses, SA	20.1	21.7	24.5	15.3	17.8	16.7	16.3	15.7	17.4	22.6
Business Climate Index	pp YoY	9.6	-4.8	-11.2	-2.3	-3.5	5.1	12.6	9.9	5.4	3.6
• Current estimates	pp YoY	11.1	-4.2	-11.6	-3.0	-3.3	3.2	13.8	13.3	7.1	5.8
• Expectations	pp YoY	7.8	-5.5	-10.9	-1.6	-3.7	7.2	11.2	6.2	3.6	1.3

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	2022	2022	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.3	12.5	16.3	14.2	12.5	4.2	3.6	3.6	4.7	
Core inflation	% YoY	9.0	14.9	19.9	17.7	14.9	4.3	2.9	2.9	3.7	
Industrial production	3MMA, % YoY	19.8	9.0	9.4	9.8	2.3	6.1	12.3	12.3	15.7	
Fixed capital investment	Cumulative, % YoY	14.5	-0.2	4.4	1.4	-0.2	-10.5	4.0			
Construction	3MMA, % YoY	5.2	12.0	14.3	13.0	12.0	5.9	11.2	11.2	8.2	
Housing commissioning	3MMA, % YoY	14.3	12.6	24.2	-2.3	-21.8	-11.4	-9.7	-9.7	-7.7	
Retail	3MMA, % YoY	8.5	-10.5	-13.6	-14.9	-14.9	-11.6	9.7	9.7	11.1	
Commercial services	3MMA, % YoY	23.5	7.3	1.8	4.2	5.2	2.1	7.8	7.8	7.8	
Real wages	3MMA, % YoY	5.6	-0.9	-7.2	-4.8	-2.0	-2.2	10.2	10.2		
Real disposable income	% YoY	5.4	-2.2	-3.7	-5.4	-2.1	2.1	8.4			
Unemployment	% SA	3.5	3.0	3.1	3.0	2.9	2.8	2.5	2.5	2.5	
Outstanding consumer loans	% YoY	19.9	2.8	8.6	4.8	2.8	4.7	11.9	11.9	13.8	
Outstanding mortgage loans	% YoY	29.2	16.9	19.9	18.3	16.9	14.8	20.3	20.3	19.6	
Funds in escrow accounts	% YoY	171	39.6	83.8	59.3	39.6	16.1	15.7	15.7	16.1	
Non-financial organisations' outstanding bank loans	% YoY	13.1	15.6	12.5	13.3	15.6	18.3	23.1	23.1		
• Large borrowers	% YoY	10.0	13.2	9.7	10.0	13.2	16.2	20.8	20.8		
• SMEs	% YoY	36.6	30.1	29.4	35.6	30.1	30.1	34.7	34.7		
Companies' price expectations	Balance of responses, SA	29.0	28.2	32.6	19.6	22.4	19.8	22.2	21.6	23.8	30.8
Business Climate Index	pp YoY	8.9	-6.4	-14.2	-4.2	-5.1	3.5	11.6	8.5	4.2	3.6
• Current estimates	pp YoY	9.4	-5.1	-14.3	-3.9	-5.1	1.0	12.7	12.7	6.7	6.7
• Expectations	pp YoY	8.1	-7.7	-14.1	-4.5	-5.0	6.1	10.3	4.0	1.6	0.1

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.5	11.9	15.5	13.7	11.9	3.3	3.6	3.6	4.8	
Core inflation	% YoY	8.9	14.7	19.0	17.5	14.7	3.8	2.7	2.7	3.3	
Industrial production	3MMA, % YoY	5.2	0.8	1.4	-5.3	1.5	-1.5	5.2	5.2	7.8	
Fixed capital investment	Cumulative, % YoY	3.6	-5.0	-1.0	-7.0	-5.0	4.5	3.2			
Construction	3MMA, % YoY	3.7	-10.5	-9.3	-10.8	-13.5	0.3	-0.3	-0.3	0.3	
Housing commissioning	3MMA, % YoY	13.3	8.4	33.6	-19.6	-8.6	-10.1	-6.1	-6.1	19.4	
Retail	3MMA, % YoY	11.7	-6.3	-9.4	-10.7	-10.3	-8.6	10.0	10.0	10.9	
Commercial services	3MMA, % YoY	19.2	4.8	3.8	4.8	4.3	3.8	2.2	2.2	2.3	
Real wages	3MMA, % YoY	4.3	0.4	-5.1	-2.6	0.7	0.6	10.3	10.3		
Real disposable income	% YoY	5.8	-1.4	-2.9	-5.3	-0.1	1.1	6.3			
Unemployment	% SA	3.9	3.2	3.2	3.4	3.2	3.1	2.7	2.7	2.6	
Outstanding consumer loans	% YoY	18.7	1.8	6.4	3.9	1.8	3.9	10.9	10.9	12.7	
Outstanding mortgage loans	% YoY	26.5	15.2	18.1	16.2	15.2	12.6	18.0	18.0	17.5	
Funds in escrow accounts	% YoY	255	32.4	111	77.5	32.4	7.5	9.5	9.5	10.4	
Non-financial organisations' outstanding bank loans	% YoY	28.3	45.4	42.6	29.5	45.4	34.8	37.6	37.6		
• Large borrowers	% YoY	32.5	46.1	54.2	28.9	46.1	39.3	42.2	42.2		
• SMEs	% YoY	11.0	42.0	7.0	32.4	42.0	14.2	17.5	17.5		
Companies' price expectations	Balance of responses, SA	23.3	24.0	28.5	16.9	19.2	17.5	19.3	19.4	21.3	25.0
Business Climate Index	pp YoY	9.4	-8.9	-14.9	-9.2	-9.8	1.3	13.3	11.2	8.0	6.6
• Current estimates	pp YoY	11.1	-8.3	-15.5	-9.4	-9.3	-1.2	13.7	14.0	9.1	8.0
• Expectations	pp YoY	7.5	-9.6	-14.2	-8.9	-10.3	3.9	12.9	8.3	7.0	5.1

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	8.6	12.4	16.7	14.2	12.4	3.7	3.2	3.2	4.2	
Core inflation	% YoY	9.4	14.7	20.1	17.8	14.7	3.5	2.2	2.2	3.0	
Industrial production	3MMA, % YoY	8.7	3.1	-1.3	2.6	2.3	1.4	10.9	10.9	12.0	
Fixed capital investment	Cumulative, % YoY	5.5	3.3	6.4	5.7	3.3	4.0	11.9			
Construction	3MMA, % YoY	13.8	14.2	5.1	11.5	10.1	6.2	32.8	32.8	21.6	
Housing commissioning	3MMA, % YoY	8.5	3.8	26.4	14.4	-31.5	14.5	9.1	9.1	5.2	
Retail	3MMA, % YoY	6.0	-3.6	-8.4	-5.4	-3.7	-1.6	11.0	11.0	11.0	
Commercial services	3MMA, % YoY	10.9	3.6	4.6	3.0	1.3	3.9	3.8	3.8	4.6	
Real wages	3MMA, % YoY	4.3	0.8	-4.5	-1.3	0.9	4.8	14.0	14.0		
Real disposable income	% YoY	2.1	-0.6	-0.9	-3.1	1.9	4.9	9.9			
Unemployment	% SA	4.0	3.2	3.3	3.2	3.0	2.8	2.5	2.5	2.4	
Outstanding consumer loans	% YoY	19.2	1.2	5.4	3.2	1.2	4.2	12.1	12.1	14.3	
Outstanding mortgage loans	% YoY	23.0	15.4	15.5	13.4	15.4	13.8	22.6	22.6	23.0	
Funds in escrow accounts	% YoY	105	11.6	54.3	35.0	11.6	-7.3	1.3	1.3	8.4	
Non-financial organisations' outstanding bank loans	% YoY	11.8	11.0	9.2	10.0	11.0	8.4	14.2	14.2		
• Large borrowers	% YoY	9.0	8.0	4.0	6.0	8.0	4.9	9.5	9.5		
• SMEs	% YoY	19.9	18.8	23.7	21.3	18.8	17.4	24.8	24.8		
Companies' price expectations	Balance of responses, SA	28.5	28.6	34.0	20.0	22.5	20.8	23.3	22.8	28.7	30.5
Business Climate Index	pp YoY	9.5	-5.5	-13.2	-1.1	-4.4	6.5	16.4	13.8	7.1	4.5
• Current estimates	pp YoY	11.1	-5.9	-14.0	-3.3	-4.3	4.6	18.0	17.1	9.5	7.7
• Expectations	pp YoY	7.6	-5.1	-12.3	1.3	-4.4	8.6	14.6	10.0	4.6	1.0

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	9.2	11.7	16.1	13.3	11.7	4.0	3.6	3.6	4.7	
Core inflation	% YoY	9.1	14.4	18.8	16.9	14.4	5.0	2.7	2.7	3.3	
Industrial production	3MMA, % YoY	5.2	5.5	1.4	2.2	11.3	-0.9	6.1	6.1	7.2	
Fixed capital investment	Cumulative, % YoY	-0.3	5.1	1.0	3.4	5.1	23.3	21.3			
Construction	3MMA, % YoY	6.5	1.9	4.2	9.7	3.8	41.1	10.5	10.5	2.0	
Housing commissioning	3MMA, % YoY	13.8	18.0	37.7	3.1	-20.2	-3.3	-11.1	-11.1	0.8	
Retail	3MMA, % YoY	12.0	-2.4	-6.2	-4.8	-2.9	-0.2	11.4	11.4	10.8	
Commercial services	3MMA, % YoY	15.1	5.4	5.6	5.0	1.8	2.8	3.4	3.4	3.4	
Real wages	3MMA, % YoY	2.3	-0.9	-5.6	-2.0	0.8	4.8	10.5	10.5		
Real disposable income	% YoY	4.1	-0.3	-2.0	-1.7	4.0	7.1	8.1			
Unemployment	% SA	7.8	6.4	6.3	6.2	6.1	5.7	5.3	5.3	5.2	
Outstanding consumer loans	% YoY	21.1	3.1	8.6	5.7	3.1	5.8	13.7	13.7	15.9	
Outstanding mortgage loans	% YoY	30.7	24.9	22.4	21.1	24.9	25.1	35.4	35.4	36.0	
Funds in escrow accounts	% YoY	120	25.1	45.8	36.1	25.1	18.8	42.2	42.2	43.1	
Non-financial organisations' outstanding bank loans	% YoY	13.7	27.2	15.2	32.8	27.2	28.1	31.1	31.1		
• Large borrowers	% YoY	8.4	22.6	7.2	29.8	22.6	23.0	24.9	24.9		
• SMEs	% YoY	28.5	38.1	35.9	40.2	38.1	39.6	43.3	43.3		
Companies' price expectations	Balance of responses, SA	20.0	21.5	23.9	15.0	18.0	15.6	16.3	15.9	17.5	25.0
Business Climate Index	pp YoY	7.9	-3.9	-10.0	-2.0	-1.1	4.8	10.6	6.8	2.0	2.9
• Current estimates	pp YoY	10.0	-3.3	-9.2	-3.9	-1.5	3.1	10.6	8.5	5.0	3.6
• Expectations	pp YoY	5.3	-4.6	-10.9	-0.1	-0.8	6.3	10.4	5.0	-1.2	2.1

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	7.7	11.0	15.1	12.7	11.0	2.2	2.2	2.2	3.1	
Core inflation	% YoY	8.2	12.4	17.7	15.4	12.4	1.5	1.0	1.0	1.6	
Industrial production	3MMA, % YoY	4.2	0.0	-2.8	-0.5	-1.2	-1.4	4.3	4.3	2.6	
Fixed capital investment	Cumulative, % YoY	0.7	8.7	9.5	9.1	8.7	-7.7	1.3			
Construction	3MMA, % YoY	7.3	-5.1	-10.9	-5.8	-5.0	4.7	7.0	7.0	12.3	
Housing commissioning	3MMA, % YoY	12.1	11.2	8.6	9.5	-13.2	3.6	13.4	13.4	16.5	
Retail	3MMA, % YoY	4.4	-5.1	-8.8	-7.9	-5.6	-1.3	12.7	12.7	14.2	
Commercial services	3MMA, % YoY	14.7	2.7	2.8	2.4	-0.3	3.1	4.4	4.4	4.3	
Real wages	3MMA, % YoY	3.4	1.4	-4.7	2.6	4.1	5.8	13.9	13.9		
Real disposable income	% YoY	1.0	-0.7	-2.7	-1.2	1.2	6.9	10.0			
Unemployment	% SA	4.4	3.3	3.5	3.2	3.0	2.8	2.5	2.5	2.5	
Outstanding consumer loans	% YoY	18.1	1.6	5.1	3.5	1.6	4.3	12.1	12.1	14.2	
Outstanding mortgage loans	% YoY	21.1	16.5	13.7	14.0	16.5	15.5	24.8	24.8	25.2	
Funds in escrow accounts	% YoY	109	21.9	53.7	34.9	21.9	3.4	11.1	11.1	16.0	
Non-financial organisations' outstanding bank loans	% YoY	16.6	17.4	17.8	19.0	17.4	13.1	18.4	18.4		
• Large borrowers	% YoY	15.0	16.0	15.9	17.6	16.0	8.9	14.4	14.4		
• SMEs	% YoY	27.6	25.9	29.6	26.9	25.9	38.3	39.0	39.0		
Companies' price expectations	Balance of responses, SA	22.5	24.2	29.9	17.5	18.1	16.1	16.6	15.5	16.5	23.7
Business Climate Index	pp YoY	9.5	-4.9	-11.7	-2.6	-3.8	5.4	14.6	12.4	10.6	5.9
• Current estimates	pp YoY	10.2	-4.1	-10.9	-2.7	-4.1	2.7	16.8	17.5	13.4	10.3
• Expectations	pp YoY	8.6	-5.7	-12.5	-2.6	-3.5	8.3	12.3	7.0	7.6	1.1

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	9.3	12.7	17.2	14.6	12.7	3.4	3.2	3.2	4.1	
Core inflation	% YoY	9.5	14.2	19.9	17.5	14.2	2.6	1.8	1.8	2.6	
Industrial production	3MMA, % YoY	3.0	1.7	2.5	-0.4	-0.2	-2.0	1.5	1.5	0.6	
Fixed capital investment	Cumulative, % YoY	11.4	5.6	9.9	5.8	5.6	7.9	7.9			
Construction	3MMA, % YoY	14.0	10.5	7.2	9.7	10.2	7.3	-1.1	-1.1	4.3	
Housing commissioning	3MMA, % YoY	7.7	3.5	10.5	6.2	-39.7	12.0	29.5	29.5	14.0	
Retail	3MMA, % YoY	7.1	-2.7	-5.4	-5.7	-5.5	-3.4	9.9	9.9	10.6	
Commercial services	3MMA, % YoY	11.8	5.5	4.7	5.8	4.4	3.7	5.1	5.1	5.2	
Real wages	3MMA, % YoY	3.3	1.9	-4.6	0.8	2.4	4.4	12.7	12.7		
Real disposable income	% YoY	2.0	-1.1	-2.2	-2.3	1.0	5.7	10.0			
Unemployment	% SA	6.1	4.8	5.0	4.6	4.3	3.9	3.8	3.8	3.6	
Outstanding consumer loans	% YoY	20.5	3.7	7.2	4.9	3.7	6.2	13.8	13.8	15.6	
Outstanding mortgage loans	% YoY	25.8	17.3	17.1	15.0	17.3	16.1	25.5	25.5	25.8	
Funds in escrow accounts	% YoY	149	25.0	60.0	37.8	25.0	13.6	17.6	17.6	23.4	
Non-financial organisations' outstanding bank loans	% YoY	5.0	17.0	10.7	16.7	17.0	10.9	13.5	13.5		
• Large borrowers	% YoY	1.4	11.8	5.1	12.4	11.8	5.3	5.2	5.2		
• SMEs	% YoY	18.8	33.8	29.6	31.7	33.8	29.5	35.1	35.1		
Companies' price expectations	Balance of responses, SA	24.0	25.0	27.6	17.8	18.7	18.6	19.2	19.7	22.7	28.5
Business Climate Index	pp YoY	8.8	-3.6	-9.3	0.2	-2.7	8.4	14.3	10.6	3.1	3.4
• Current estimates	pp YoY	10.2	-4.2	-10.5	-0.5	-4.8	5.5	16.3	15.1	6.4	6.1
• Expectations	pp YoY	7.3	-2.9	-8.0	1.0	-0.6	11.6	12.1	5.7	-0.5	0.5

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	2023	2023	Jun	Jul	Aug
				Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	6.7	11.9	14.1	12.5	11.9	5.2	4.0	4.0	4.6	
Core inflation	% YoY	6.7	14.0	16.5	15.3	14.0	5.5	3.7	3.7	4.5	
Industrial production	3MMA, % YoY	3.0	-4.0	-6.5	-10.4	-3.7	-4.5	5.0	5.0	12.6	
Fixed capital investment	Cumulative, % YoY	13.8	11.5	5.1	3.5	11.5	25.4	23.6			
Construction	3MMA, % YoY	-0.7	4.7	7.7	-3.9	16.9	16.9	18.8	18.8	37.4	
Housing commissioning	3MMA, % YoY	25.4	13.7	34.0	31.8	-6.6	45.1	25.4	25.4	12.2	
Retail	3MMA, % YoY	5.6	-0.6	-0.9	-0.8	-2.8	-2.7	3.2	3.2	4.0	
Commercial services	3MMA, % YoY	13.2	-0.9	-1.4	-3.5	-0.3	-2.3	2.3	2.3	2.1	
Real wages	3MMA, % YoY	4.2	0.1	-3.5	-3.0	-1.6	1.5	6.2	6.2		
Real disposable income	% YoY	2.3	-1.0	-0.2	-3.6	0.2	2.1	4.8			
Unemployment	% SA	4.6	3.9	4.0	3.8	3.4	3.2	3.0	3.0	2.9	
Outstanding consumer loans	% YoY	17.7	3.7	5.8	3.5	3.7	6.4	12.7	12.7	14.2	
Outstanding mortgage loans	% YoY	32.5	23.3	25.5	22.4	23.3	20.2	27.0	27.0	26.8	
Funds in escrow accounts	% YoY	162	34.0	95.4	67.5	34.0	12.9	14.2	14.2	19.6	
Non-financial organisations' outstanding bank loans	% YoY	18.0	18.9	10.7	13.2	18.9	27.3	29.8	29.8		
• Large borrowers	% YoY	17.0	21.0	6.2	12.8	21.0	33.0	34.6	34.6		
• SMEs	% YoY	21.8	11.0	28.2	14.7	11.0	7.6	15.0	15.0		
Companies' price expectations	Balance of responses, SA	18.8	21.0	24.4	15.5	16.8	16.6	15.9	14.8	18.5	20.0
Business Climate Index	pp YoY	7.3	-3.2	-7.3	0.1	-4.7	4.7	11.0	6.2	3.3	3.0
• Current estimates	pp YoY	8.4	-2.0	-6.6	-0.9	-4.5	-0.6	12.8	11.5	4.4	3.1
• Expectations	pp YoY	6.1	-4.4	-7.9	1.2	-5.0	10.3	9.0	0.5	2.2	3.0

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