



Bank of Russia



# **REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES**

**No. 24 • December 2023**

**6 December 2023**

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

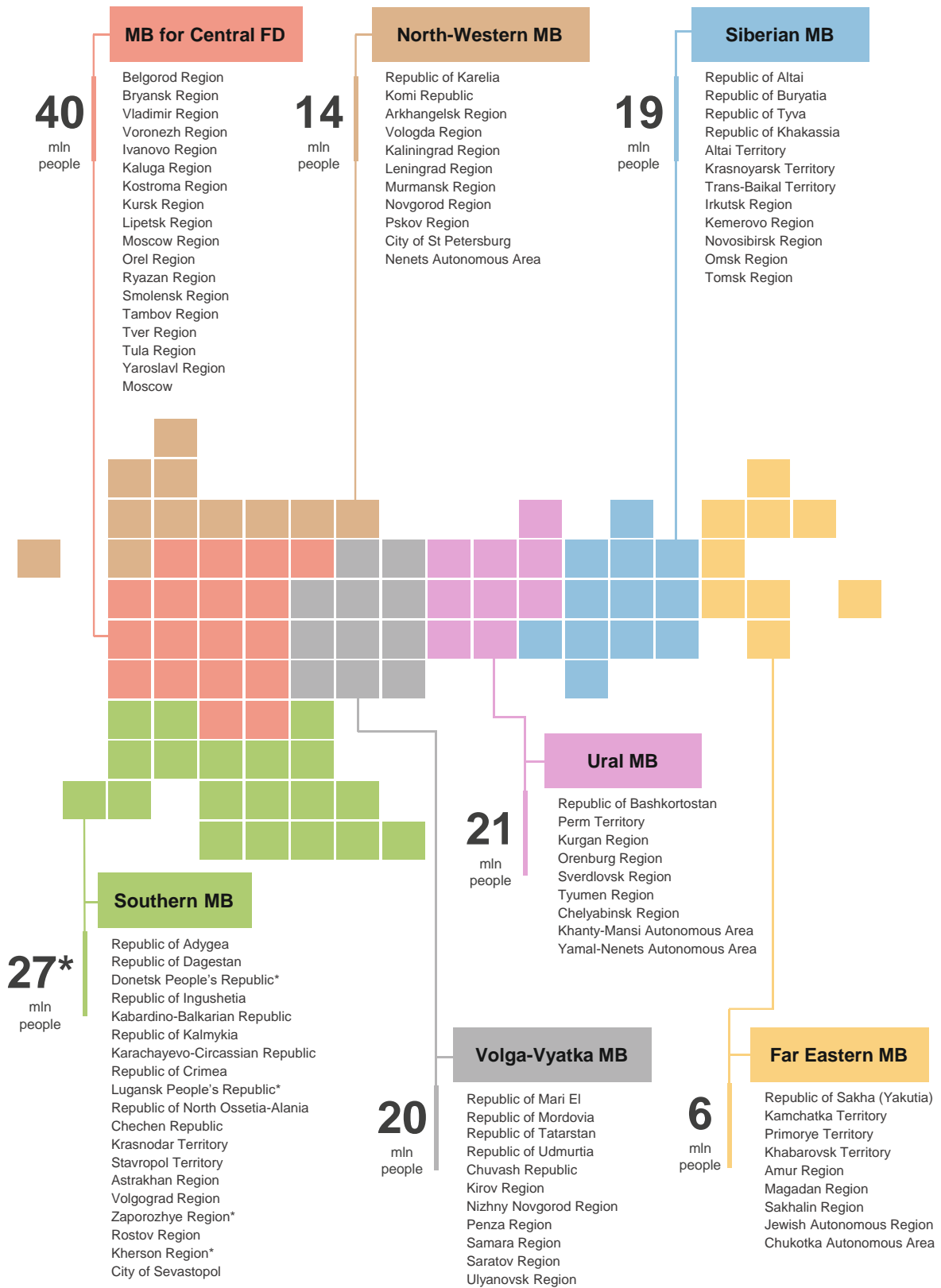
This issue was compiled by the Far Eastern Main Branch of the Central Bank of the Russian Federation.

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

Cover photo: Vladivostok. Source: Shutterstock / FOTODOM.

Bldg C, 12 Neglinnaya Street, 107016 Moscow  
Bank of Russia website: [www.cbr.ru](http://www.cbr.ru)

© Central Bank of the Russian Federation 2023



\* 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.

## CONTENTS

Russian Federation.....	6
Key trends in Russian regions .....	7
Core economic indicators .....	8
Inflation in Russian regions.....	9
Bank of Russia Main Branch for the Central Federal District .....	10
Bank of Russia North-Western Main Branch .....	12
Bank of Russia Volga-Vyatka Main Branch .....	14
Bank of Russia Southern Main Branch .....	16
Bank of Russia Ural Main Branch .....	18
Bank of Russia Siberian Main Branch.....	20
Bank of Russia Far Eastern Main Branch .....	22
Box 1. Investment activity .....	24
Box 2. Producer prices and price expectations .....	30
Box 3. Industry focus. Air transport.....	37
Earlier issues and boxes therein.....	42
Annex. Core economic indicators .....	45



## 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 MBs.

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 companies<sup>1</sup> carried out by the Bank of Russia MBs. 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 MBs, including following various events with the engagement of regional executive authorities, businesses, industrial unions, associations, and entrepreneurs associations. Along with this qualitative 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.

---

<sup>1</sup> In November 2023, we surveyed 12,923 companies.

## RUSSIAN FEDERATION

In October–November, growth in consumer activity slowed down slightly under the impact of monetary tightening, but regional dynamics were heterogeneous. In October, monthly seasonally adjusted price growth slowed down after a surge in September, but stayed elevated. Annual inflation continued to accelerate. Overall, price pressures remained persistently high. Companies' price expectations were close to the highest level since April 2022, while households' inflation expectations were rising. Demand for corporate loans remained high. Growth in retail lending weakened both in the consumer and mortgage segments.

**Economic activity continued to grow.** North-Western and Ural chemical enterprises were expanding output, including to meet demand for import-substituting products. The production capacity utilisation of Far Eastern shipbuilders reached the maximum level. The number of orders received by businesses in the South was growing. Volga-Vyatka enterprises were expanding the output of investment goods. High domestic demand spurred growth in investment activity in the majority of industries (see the Box '*Investment activity*').

**Labour shortages persisted and even intensified in some regions.** The unemployment rate remained record low. Growth in wages adjusted for inflation continued to outpace growth in labour productivity.

**Households' consumer activity continued to predominantly grow** across regions, though at different rates. Growth rates accelerated in Central Russia and the North-West, remained the same as in the previous months in Siberia, slowed down in the South, Volga-Vyatka and the Urals, and started to decrease in the Far East. Demand for hotel services increased more than usual in the run up to the New Year holidays, as reported by the representatives of the tourism industry in the Far East, Siberia, the South and the North-West.

**Monthly growth in consumer prices** (seasonally adjusted) remained elevated in all macro-regions. However, it slowed down in October due to individual volatile components. Annual inflation continued to speed up. Driven by high demand for flights during the New Year holidays, prices for passenger air transport rose considerably chiefly due to the higher costs of fuel and aircraft fleet maintenance (see the Box '*Industry focus. Air Transport*'). High consumer demand continued to be the main factor in consumer price growth. It also allowed businesses to pass through their higher costs to prices more actively (see the Box '*Producer prices and price expectations*'). In November, companies' price expectations edged down but remained elevated in most macro-regions.

**Demand for corporate loans remained high in October** in the majority of macro-regions. Amid higher interest rates and tighter regulatory requirements, growth in retail lending slowed down in both the consumer and mortgage segments. Households continued to transfer funds from current accounts to time deposits.

## KEY TRENDS IN RUSSIAN REGIONS

**MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT.** Given the growing attractiveness of savings, consumption slowed down in November, with consumer activity remaining elevated. Industrial production was expanding at higher rates compared to other macro-regions due to the manufacture of food products (meat and dairy products, and vegetable oils), computers and electronics, as well as metallurgical products. Companies' price expectations remained high chiefly due to enterprises located in Moscow.

**NORTH-WESTERN MAIN BRANCH.** Supported by active lending to trade and real estate companies, the corporate portfolio in the macro-region grew faster compared to the national average rates. The growth of consumer activity picked up. In the chemical industry, the rate of output expansion exceeded the nationwide rates because of high domestic and foreign demand for fertilisers produced in the macro-region.

**VOLGA-VYATKA MAIN BRANCH.** Rising real wages supported high growth rates of consumption. Enterprises were increasing the output of a wide range of general-purpose products. The output of motor vehicles reached the maximum since the start of the year. Price expectations of companies, including retailers, remained elevated.

**SOUTHERN MAIN BRANCH.** In November, companies' price expectations declined in the macro-region to a greater extent than in Russia overall. The growth of consumer activity slowed down. Mortgage growth rates considerably exceeded nationwide levels, which supported the faster commissioning of housing. Investment activity in the South remained above the national average due to the implementation of large industrial and logistics projects in the Krasnodar Territory, the Rostov Region and the Republic of Dagestan.

**URAL MAIN BRANCH.** Backed by rising wages, consumer activity in the macro-region was higher than in Russia in general. However, growth in retail turnover began to slow down, in contrast to nationwide trends. Industrial production growth rates remained below Russian averages due to the lower volumes of oil and gas production than a year ago. Metallurgical and chemical enterprises increased their output of products for the domestic market and recorded higher levels of production capacity utilisation.

**SIBERIAN MAIN BRANCH.** The macro-region's growth in industrial production was lagging behind Russian averages mainly due to scheduled repairs at large non-ferrous metallurgical enterprises. However, the portion of metal products in the Siberian industrial output exceeded Russia's average level. Growth in the construction industry was lower than in the country in general. This was conditioned on the completion of the active implementation stage of large investment projects for the construction of industrial and transport infrastructure.

**FAR EASTERN MAIN BRANCH.** The macro-region's consumer activity declined in the non-food segment and public catering but continued to be high overall. The Far East was the main contributor to the reduction in the container turnover in Russian ports in October because of the decline in imports. Growth rates in construction were markedly above Russian averages due to the implementation of large investment projects in logistics and mining and quarrying.

## CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2023	100	34	11	12	14	13	11	5
Inflation	% YoY	Oct23	6.7	6.7	6.5	6.5	7.3	5.8	7.4	7.6
Core inflation	% YoY	Oct23	5.5	5.6	5.2	5.3	5.8	4.3	5.9	7.2
Industrial production	3MMA, % YoY	Oct23	5.4	16.2	4.9	9.1	5.4	2.6	-1.1	10.7
Fixed capital investment	Cumulative, % YoY	2023 Q3	10.0	5.7	7.7	17.8	16.3	4.1	12.0	27.9
Construction	3MMA, % YoY	Oct23	6.8	4.0	13.8	10.7	0.7	5.0	0.2	35.3
Housing commissioning	3MMA, % YoY	Oct23	-3.7	-10.3	-0.7	-9.2	10.8	-2.7	-7.9	-6.1
Retail	3MMA, % YoY	Oct23	12.0	14.6	14.5	12.5	9.9	12.7	10.9	8.5
Commercial services	3MMA, % YoY	Oct23	4.8	7.7	3.2	3.9	2.8	3.3	3.1	0.5
Real wages	3MMA, % YoY	Sep23	8.6	8.0	7.5	11.9	6.9	9.5	8.5	6.0
Real disposable income	% YoY	2023 Q3	4.9	6.9	5.1	7.9	5.9	7.7	5.6	3.6
Unemployment	% SA	Oct23	3.0	2.4	2.5	2.1	5.1	2.4	3.6	2.8
Outstanding consumer loans <sup>2</sup>	% YoY	Oct23	18.3	18.1	16.2	19.0	20.2	18.6	18.5	15.8
Outstanding mortgage loans	% YoY	Oct23	30.6	25.5	23.1	32.4	45.0	33.2	33.7	32.6
Funds in escrow accounts	% YoY	Oct23	32.9	25.5	17.9	33.7	82.7	50.2	59.9	32.3
Non-financial organisations' outstanding bank loans	% YoY	Sep23	26.1	24.5	51.4	15.1	18.5	18.8	24.7	30.6
• Large borrowers	% YoY	Sep23	24.9	23.9	53.3	8.8	7.5	14.3	25.8	35.8
• SMEs	% YoY	Sep23	31.1	27.2	42.6	29.8	43.0	42.2	21.6	11.1
Companies' price expectations <sup>3</sup>	Balance of re- sponses, SA	Nov23	23.3	32.7	27.2	30.5	19.9	23.1	30.1	23.1
Business Climate Index	SA, pp	Nov23	6.8	9.4	5.2	11.5	7.0	11.3	11.3	6.4
• Current estimates	SA, pp	Nov23	-0.4	1.0	-1.7	3.6	0.9	4.9	4.1	-1.3
• Expectations	SA, pp	Nov23	14.2	18.2	12.3	19.7	13.3	17.9	18.6	14.4

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

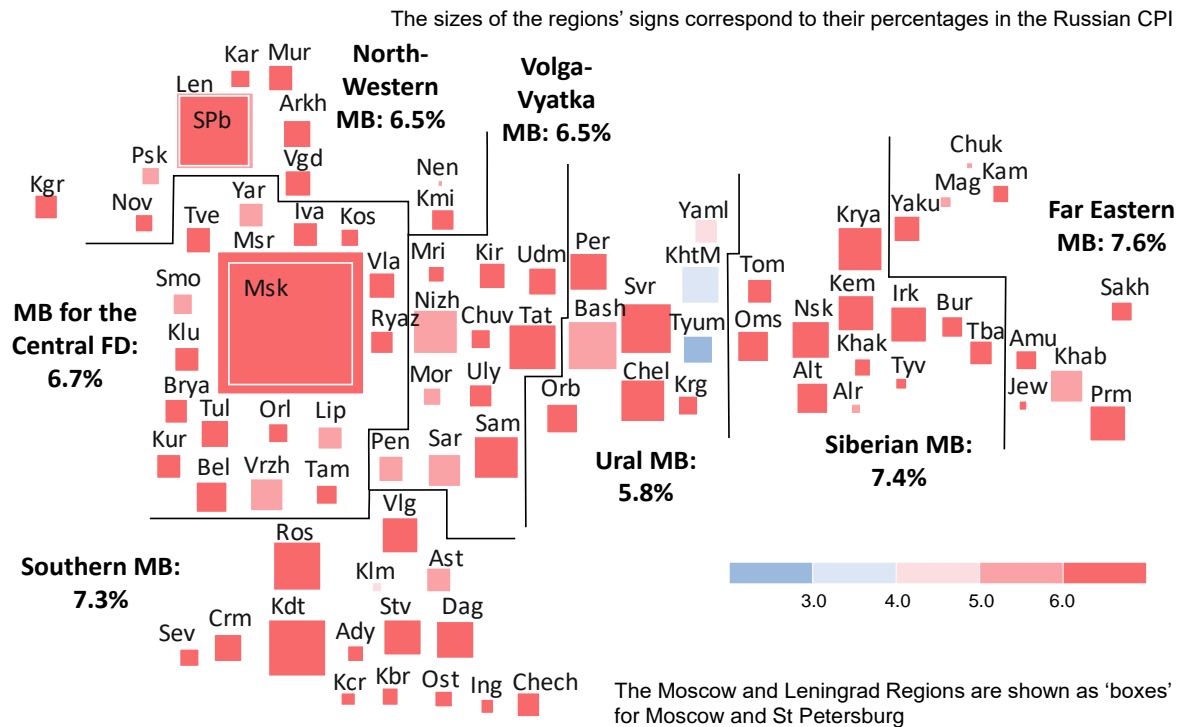
<sup>2</sup> Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis, since they enable the aggregation of indicators by resident borrowers' location.

<sup>3</sup> 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 October 2023, % YoY



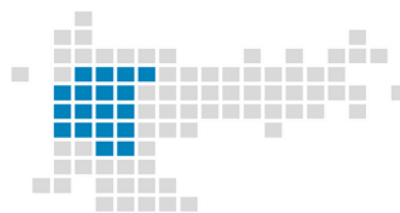
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

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 Adygea	Kos	Kostroma Region	Sam	Samara Region
Altt	Altai Territory	Krya	Krasnoyarsk Territory	Sar	Saratov Region
Altr	Republic of Altai	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	City of Sevastopol
Ast	Astrakhan Region	Krg	Kurgan Region	Smo	Smolensk Region
Bash	Republic of Bashkortostan	Kcr	Karachayevo-Circassian Republic	SPb	City of St 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	Republic of Mari El	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	Republic of Udmurtia
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-Balkarian 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	Komi Republic	Ryaz	Ryazan Region		

## BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity in the macro-region was slightly above the end-2021 level mainly due to high demand for services and public catering. Having picked up in October, the recovery in demand for non-food goods slowed down again in November, according to preliminary data. The monthly growth of consumer prices remained high amid the stabilisation of companies' price expectations. Demand for corporate loans was on the rise, and the inflow of household funds into banks continued. Metallurgical companies began to manufacture new types of products and switched their focus to available target markets.

**CONSUMPTION AND INCOMES.** In October, the increase in consumer activity (seasonally adjusted) in Central Russia accelerated on the back of higher demand for cars, sports and household goods, electronics, clothing, expensive dairy products, in particular natural cheese and butter. Amid persistently high inflation expectations and a stronger ruble, consumers preferred to purchase goods at more favourable prices. Sales grew considerably on online marketplaces. In view of the above, a large online retailer began to construct a logistics centre in the Tambov Region. Nonetheless, high-frequency indicators suggested that consumption was more moderate in November owing to the increased attractiveness of savings. According to the survey, in November, consumer sentiment and attitudes toward large purchases continued to deteriorate. There was an increase in the proportion of respondents who negatively assessed their personal financial situation at that moment and in one year's time.

**PRICES.** In October, monthly price growth (seasonally adjusted) slowed down but remained high in the macro-region. The key reason was changes in prices for fruit and vegetables, motor fuel and tourist services. Annual inflation continued to accelerate. According to Rosstat's weekly data, growth in prices for some vegetables, eggs, cars, medicines, household appliances and services remained high in November. Regional companies' price expectations remained high and virtually unchanged for the second month in a row amid the slowing growth of costs. Broken down by industry, in November, price expectations decreased in transportation and storage but increased in agriculture.

**MONETARY CONDITIONS AND BANKING SECTOR.** In September, the seasonally adjusted growth of the loan portfolio of both large enterprises and SMEs accelerated month-on-month. In terms of the amounts of new loans received in September, the leaders were trade, real estate and manufacturing companies. According to companies' estimates, lending conditions tightened almost in all industries in November.

In October, the monthly growth in the retail loan portfolio slowed down as a result of the decline in the volume of new mortgages. Nevertheless, demand for mortgages remained high due to government-subsidised programmes. In October, the growth in the consumer loan portfolio slowed down compared to September, but the amount of new loans increased mainly due to car lending. Demand for car loans was up compared to September in anticipation of increases in both loan interest rates and car prices, caused in part by amendments to the recycling duty rules designed to limit 'grey'

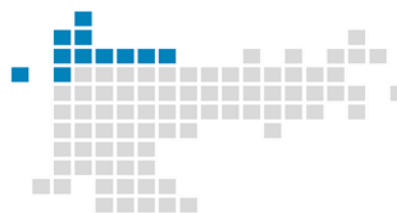
parallel imports. In October, as in Russia in general, the federal district registered an ongoing inflow of household funds into banks. In all the regions of Central Russia, individuals continued to transfer their funds from current accounts to time deposits which became more attractive.

**FOOD MANUFACTURE.** The output of food products was growing faster in Central Russia than in Russia in general. This had a restraining effect on prices. For example, prices for dairy and meat products were increasing more slowly in the macro-region than across Russia. The main contributors to the growth in the manufacture of food products were the Moscow metropolitan area, and the Kursk and Kaluga Regions. Output dynamics were influenced by the growing supply of raw materials, i.e. meat and milk. The Voronezh Region launched a pig breeding complex in August, and the Moscow Region launched two milk farms in October. There was an increase in processing capacity. A pork processing factory began to operate in the Voronezh Region in May. There was an increase in food exports to the Middle East and Asia; work is underway to develop supply channels to other destinations: other Middle East countries and Africa. The macro-region's food enterprises reported an increase in labour costs due to tightness in the labour market, as well as in the cost of equipment purchase and maintenance because of a considerable degree of wear and tear and a high share of imported production machinery. Processing companies were purchasing spare parts from alternative suppliers in Asia, but noted that the quality of these spare parts was lower.

**MANUFACTURE OF COMPUTERS, ELECTRONIC AND OPTICAL PRODUCTS.** In 2023 H2, the growth in the manufacture of computers, electronic and optical products, which started in 2022, continued. It was in part associated with active import substitution after the exit of many foreign brands from the market. The Kaluga Region continued to increase the manufacture of electronic components and microelectronic products. There was an active expansion of the manufacture of hydro-meteorological and environmental monitoring equipment in the Smolensk Region and of emergency radio stations for aircraft and helicopters in the Yaroslavl Region. The industry was supported by the state. Grants were provided to microelectronics projects. Thanks to the above, a Moscow-based company producing pressure sensors using its own technology doubled its output compared with 2022. There still remained problems caused by a lack of production capacity, skilled personnel and access to required technologies.

**METALLURGY.** Despite a slowdown in the monthly growth of metallurgical production in September because of a lower demand for large-diameter pipes, the industry continued to expand output in the first nine months of 2023 more quickly than in 2022. In the Belgorod and Tula Regions, metallurgical plants reported high capacity utilisation rates. In October, prices for metallurgical products edged up. Due to the need to replace imported materials, there was an increase in demand for metallurgical products, including those that metal-makers had never manufactured before. This encouraged metallurgical companies to start the manufacture of new products. In autumn, a metallurgical plant in the Moscow Region started to produce a new type of steel surpassing the quality of equivalent products, which could be used for the production of cutting and stamping tools. The continued implementation of large infrastructure projects and the ongoing demand from manufacturing and construction companies improved short-term expectations of metallurgists for demand and output.

## BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



In October–November, the macro-region's growth in consumer activity accelerated. Concurrently, there was noted a certain cooling in the housing market due in part to the tightening of mortgage lending conditions. Labour shortages exacerbated, with the most acute deficit observed in manufacturing. Chemical enterprises continued to build up production seeking to substitute for imports, and also increased exports.

**CONSUMPTION AND INCOMES.** Consumer activity in the North-West was increasing faster than in September. Amid growing household incomes, foot traffic in shopping malls remained high which was also supported by the opening of new shops. Consequently, the sales of clothing increased considerably in October. In November, consumption continued to grow. For example, during the promotional sales in November, St Petersburg residents spent more on online shopping than in the previous year. Higher domestic tourist traffic also had a positive effect on the macro-region's services and public catering segments. For example, there was a noticeable increase in hotel reservations for the New Year holidays compared with the previous year. Retailers and service companies expected a further increase in demand in the next three months.

**PRICES.** In October, annual inflation in the North-West reached 6.5%. Price movements were mostly driven by rising demand for goods and services which outpaced the supply expansion capacity. This helped producers pass through higher costs to prices due in part to the ruble weakening in the previous months. In October, monthly price growth (seasonally adjusted) slowed down, though remaining elevated. In the first half of November, price growth continued to accelerate. In November, regional companies' price expectations edged up, namely in services, industrial production, and construction, but declined in transportation and storage, trade, and agriculture.

**LABOUR MARKET.** In the macro-region, the unemployment rate was below the Russian average, while labour shortages were intensifying. According to the November survey of businesses, the deficit of qualified specialists was faced by most employers, whose number had increased compared to the previous survey. Considerable labour demand was observed in manufacturing. For example, a wood processing company in the Arkhangelsk Region reported a persistent labour deficit, which the company had been unable to cover after the downtime in 2022. Labour shortages hampered the further expansion of production. For example, a machine-building enterprise in the Novgorod Region noted that the shortage of skilled staff made it impossible to increase output. Labour market tightness was alleviated by measures aimed at early vocational training and staff development, such as temporary employment programmes for senior school students and targeted training. Many employers raised wages and improved working conditions seeking to retain and attract staff. Some industrial enterprises in the Leningrad and Murmansk Regions were implementing employee housing schemes.

**MONETARY CONDITIONS AND BANKING SECTOR.** In September, the annual growth of the corporate loan portfolio sped up and continued to exceed the Russian average. The contribution of

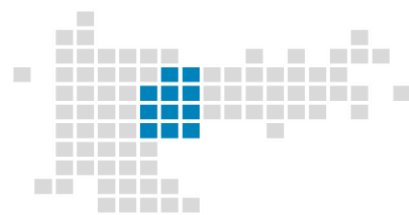
trade and real estate companies to the growth of the loan portfolio increased. In October, household demand for retail loans declined in the macro-region amid rising interest rates. Growth in consumer lending continued to slow down. The volume of new mortgages, both market-based and subsidised, decreased after the tightening of mortgage lending conditions. In October, the inflow of household funds into deposits accelerated, as expected.

**CHEMICAL INDUSTRY.** In 2023 Q3, North-Western chemical companies continued to increase their output. This trend was driven by both the launch of new production facilities and the expansion of existing ones as part of import substitution. For example, a manufacturer of industrial paints and coatings from the Pskov Region reported a considerable increase in demand for its products, due in part to the exit of several foreign companies from the market. The company planned to build up the output of paints by approximately 60% year-on-year over the entire 2023 by using its full capacity. In autumn, the Leningrad Region launched an innovative production of polymer additives meant to improve the quality of asphalt covering made from domestic raw materials. Moreover, fertiliser manufacturers continued to implement investment projects and expanded their product mix amid robust foreign and domestic demand. In the Novgorod Region, a large enterprise launched the second phase of its granulated urea production complex, and increased its exports to African countries, including a new product – calcium nitrate. In October, another manufacturer began to export a new brand of fertilisers (water-soluble ammophos) to Central Asia countries with the prospect of a further increase in supplies. Concurrently, some companies reported planned increases in their product prices because of rising costs driven by higher export duties on a number of fertilisers.

**HOUSING MARKET.** In October–November 2023, there was observed a certain cooling in purchasing activity in the North-Western residential real estate market. This was associated with the elevated demand in the previous months in anticipation of rises in market interest rates and the tightening of subsidised mortgage conditions. Meanwhile, subsidised mortgage programmes remained the main driver of demand for real estate. A large St Petersburg-based regional bank noted an increase in the proportion of loans issued under the IT-Mortgage programme in the total amount of new loans. This was in part facilitated by the easing of borrower requirements. Besides, as assessed by a large bank, October saw a material increase in demand for individual house construction (mainly in St Petersburg, and also in the Leningrad, Vologda, and Kaliningrad Regions). On 1 November 2023, the Arctic Mortgage, a new state programme, was launched in five North-Western regions, namely the Murmansk and Arkhangelsk Regions, the Komi Republic, the Republic of Karelia, and the Nenets Autonomous Area. The regional offices of banks already started to accept applications under this programme. As compared to the previous year, the floor area of blocks of flats under construction contracted in the macro-region this year, whereas the number of new residential construction projects increased.

## BANK OF RUSSIA VOLGA-VYATKA

### MAIN BRANCH



Consumer expenditures were growing actively in October–November, given the ongoing growth of wages and retail lending. In this situation, consumer prices grew at an increased rate. The expansion of business activity was driven, among other things, by the increase in domestic demand in the civil machine-building sectors. As market mortgage rates rose in the housing market, buyers were switching to the primary segment to benefit from subsidised programmes.

**CONSUMPTION AND INCOMES.** In October–November, the growth of consumer activity slowed down slightly compared to the previous months, but remained high. The sales of food products dropped, whereas the sales of non-food goods rose. High consumer demand was supported by the ongoing growth in real wages which exceeded the 2021 Q4 level by 10% in September. Shopping mall representatives reported higher foot traffic. This could be fuelled by nearly full occupancy of retail space. According to shopping malls, the broad range of products attracted clients, nonetheless, foot traffic might not reach the 2019 levels because of the intense competition with marketplaces. The dynamics of turnovers in public catering remained subdued in the recent months, with the level of turnovers remaining almost unchanged over the last six months. However, it was still higher than last year and, as reported by cafes and restaurants, demand continued to be high.

**PRICES.** In October, monthly price growth (seasonally adjusted) decreased, but remained well above 4% in annualised terms. The current price growth was mainly held back by changes in the volatile components of inflation, while components with more stable price dynamics were steadily appreciating at a high pace. Elevated consumer demand maintained high price pressures across a wide range of non-food goods: cars, construction materials, furniture, TV sets, and cosmetics. Price expectations of companies, including retailers, were high, but their persistent growth came to a halt.

**MONETARY CONDITIONS AND BANKING SECTOR.** In early October, the amount of corporate outstanding loans continued to grow in annualised terms at the same rate as in the previous month. According to the findings of the surveys of enterprises in October–November, lending conditions slightly deteriorated. Retail lending was expanding in October. Monthly growth in outstanding loans of households was considerable both in the mortgage and consumer lending segments, however, it slowed down amid higher interest rates and tighter macroprudential requirements. According to high-frequency data, the issue of new loans slightly contracted in both segments in the first half of November. In September–October, as deposit interest rates were rising, there was a noticeable pick-up in the growth of household funds with banks. Besides, households continued to transfer funds from demand accounts and long-term deposits to short-term deposits.

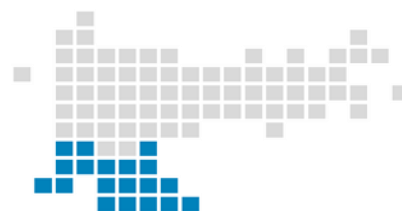
**AUTOMOBILE INDUSTRY.** In October–November, output growth rates at regional car plants stabilised after a long rise. Output remained near the maximum since the beginning of the year, whereas the sales patterns were heterogeneous across market segments. The notable sales growth in the passenger car segment was driven by persistently strong demand for low-cost models coupled with

a surge in their output by a major auto group in recent months. However, the output dropped in October–November, as the shortage of certain components forced this manufacturer to cut the number of working shifts and stop the assembly of some models on Saturdays. Despite these problems, the auto plant managed to expand the configuration of one model using new electronic components of domestic production. In contrast, in the truck segment, market sales were declining due in part to capacity allocation for fulfilling state contracts. At the same time, a large manufacturer of commercial vehicles continued to gradually expand the output of its flagship model and also presented a new dump truck on its basis.

**INVESTMENT GOODS OUTPUT.** In September–October, the expansion of business activity in Volga-Vyatka was conditioned on an increase in the production of investment goods. This was due to the increase in the output of a wide range of civil-purpose products. According to the monitoring of businesses, companies posted record-high estimates of demand, investment activity, and capacity utilisation in the last ten years. A large rail-car plant reported an increase in orders from the oil and gas industry due to changes in logistics. In September, another manufacturer expanded its capacity to produce import-substituting electrical equipment for cellular base stations, and also executed a large order for a telecommunication operator. An instrument manufacturer noted that the earlier weakening of the ruble maintained demand for equipment from foreign firms, while an agricultural machinery manufacturer explained this factor by a decline in competition with them in the domestic market. As output grew and investment was made to expand production, companies faced labour shortages increasingly more often.

**HOUSING MARKET.** In September–October, demand for residential property was up in the macro-region. The reasons for the higher purchasing activity were the anticipation of the further tightening of lending conditions and the issue of earlier approved loans on more favourable terms. The increase in demand for primary housing coupled with higher construction costs led to a notable increase in prices. In late October–November, market participants noted a cooling in demand, primarily for secondary housing, as there was a drop in the number of transactions and buyers' applications. In October, prices in the secondary market remained mostly at the high level of August–September, and their adjustment to new conditions became evident only by mid-November in some regions. Realtors reported that buyers of secondary housing moved their focus to cheaper segments, including smaller flats, and that demand shifted to the primary market. The latter was associated with the maintenance of price conditions under subsidised mortgage programmes for new builds amid rising market interest rates, as well as the high degree of completion of many facilities. In early autumn, the volume of housing construction and commissioning of apartment buildings in Volga-Vyatka was at record highs in recent years, and the proportion of sold residential premises was growing. As reported by developers, interest in implementing new projects remained in place.

## BANK OF RUSSIA SOUTHERN MAIN BRANCH



The growth of consumer activity in the macro-region slowed in October–November, but remained elevated. This was accompanied by a drop in household demand for loans. Tourist traffic increased year-on-year. Annual inflation continued to accelerate, whereas companies' price expectations declined. Machine-building enterprises raised the level of production localisation by shifting their focus on domestic components. This helped farmers renew agricultural machinery.

**CONSUMPTION AND INCOMES.** In October–November, the growth of consumer activity edged down, but remained elevated. Demand was supported mainly by purchases in the non-food segment, specifically in the segment of passenger cars. In October, the sales of new foreign-made cars in the South were 3.3 times higher year-on-year and 1.2% higher month-on-month. Car repair services were also becoming more popular, driving up demand for related products. In Rostov-on-Don, the sales of auto spare parts more than doubled year-on-year in October. The problem of staff shortages persisted in the labour market. This was reported by agricultural companies which noted shortages of both skilled staff and workers. In the Rostov Region, a major machine-building enterprise explained the shortage of workers by their outflow to the online selling and delivery segments, where salaries were higher.

**PRICES.** In October, annual inflation accelerated and monthly price growth (seasonally adjusted) decreased, remaining elevated. Manufacturers, suppliers and retailers continued to pass through their rising costs to prices following the earlier weakening of the ruble. This raised prices for some non-food goods (prices for passenger cars and furniture continued to grow both year-on-year and month-on-month, seasonally adjusted) and food products. The main contribution to annual changes in the latter was still made by faster rising meat prices. This was in part caused by a reduction in meat supply in the domestic market because of growing exports to the Middle East. The annual rise in airfares picked up due to an increase in tourist traffic to the South. In November, companies' price expectations decreased, most significantly in mining and quarrying, manufacturing and construction.

**MONETARY CONDITIONS AND BANKING SECTOR.** According to high-frequency data, demand for large corporate loans declined in October–November. However, the monthly dynamics of the corporate loan portfolio remained elevated compared to the previous years because of the activity of SMEs. Banks reported an increase in demand from utility companies. For example, several long-term credit lines were opened for a South-based electricity distribution company to finance its business and investment activities. In October–November, the retail segment saw a slight drop in demand both for consumer and mortgage loans. Monthly changes in demand for the latter exceeded multi-year values. Credit institutions attributed it to the fact that borrowers expected mortgage rates to rise. Households continued to transfer funds from current accounts to time deposits. According to high-frequency data, households began to deposit cash more frequently in October–November.

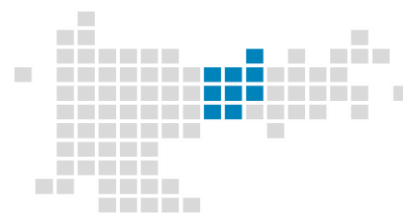


**TOURISM.** In October–early November, the macro-region’s tourist traffic increased year-on-year. In the Krasnodar Territory, this figure was up by 20%, reaching the record level of 17.5 million people since the beginning of this year, which was more than over whole 2022 and 2021 each. In the North Caucasus, resorts continued to develop actively, with the growth in the number of accommodation facilities exceeding the growth in the Southern Federal District by a factor of 12 in October. The Republic of North Ossetia–Alania launched the first phase of an agro-ecotourism park, where visitors could learn about life on the farm. North Caucasus resorts were improving their transport accessibility. During the New Year holidays, the Ski Arrow train will be launched to deliver tourists from Rostov-on-Don to Cherkessk. Overall, the volume of early bookings for the winter holidays in the macro-region already exceeded the level of the last year. Moreover, accommodation facilities in several North Caucasus regions were almost fully booked.

**AGRICULTURE.** According to preliminary estimates, the macro-region’s harvest of major crops was close to the 2022 record and above multi-year values. In the Volgograd Region, the vegetable harvest exceeded the 2022 figure. In the South, seasonal field work was completed. The autumn sowing was conducted as soon as practicable, and the condition of winter crops was good in general. Amid the rising cost of material and technical resources, agricultural enterprises were using subsidised programmes to optimise costs. For example, in the Stavropol and Krasnodar Territories, the purchase of agricultural machinery on preferential terms contributed to the renewal of the regional machine and tractor fleet. State support measures remained an important factor for raising output in livestock farming. In particular, milk production increased in the Krasnodar Territory thanks to the projects to launch new dairy complexes and robotic farms.

**MACHINE BUILDING.** This year, machine-builders in Southern Russia raised the level of production localisation by using domestic components. In the Rostov Region, after switching to domestic suppliers, a large plant resumed the production of certain components for agricultural machinery, the output of which had been earlier suspended. In the South, amid high demand for machinery experienced by farmers coupled with foreign trade restrictions, domestic manufacturers were actively cooperating with companies from friendly countries. By the end of 2023, an assembly site in the Krasnodar Territory was going to manufacture more than a thousand tractors. The development of the International North–South Transport Corridor increased the number of orders placed with shipbuilders in the Astrakhan Region, including orders received from companies from the Caspian basin countries. The manufacture of new equipment was increasing. In the third quarter, the largest producer of oil and gas units in the Volgograd Region was the first in the country to manufacture column equipment used for the production of high-quality motor fuel.

## BANK OF RUSSIA URAL MAIN BRANCH



The growth of consumer activity in the Urals slowed down in October–November. Demand for loans increased more slowly than in the previous months, while the inflow of funds into deposits continued. Companies' price expectations trended downwards amid a slower rise in costs. Metallurgical and chemical enterprises registered an increase in the output of products for the domestic market and a higher production capacity utilisation rate. The region was actively constructing warehousing and distribution infrastructure facilities. Logistical issues alongside labour shortages remained significant factors hampering economic activity.

**CONSUMPTION AND INCOMES.** According to high-frequency indicators, consumer activity remained high in general, but growth in consumption slowed down in October–November. The sales of goods edged down in October, while growth resumed in the public catering segment. In November, new car sales were lower than in October. Overall, as estimated by retailers, market conditions improved slightly, business risks decreased, and demand expectations remained positive. At the same time, some retailers reported that products in smaller packages were becoming increasingly more in demand, and consumers tended to be more selective and to save by buying promotional products more often than during the pandemic period and in the previous year. Compared to the third quarter, the unemployment rate did not change in October, remaining at the lowest level. The situation in the labour market continued to be tense, with the registered demand for unskilled labour increasing notably. The most acute demand was for retail employees and workers. The findings of Bank of Russia surveys of businesses continued to evidence the shortage of labour.

**PRICES.** In October, monthly price growth in the Urals (seasonally adjusted) edged down, while annual inflation rose to 5.8%. High consumer demand made it possible for manufacturers to more actively pass through higher costs to prices. According to the findings of business surveys, the growth of costs slowed down in November. The key reasons included the ruble strengthening in October and lower motor fuel prices. In the Urals, three-month ahead companies' price expectations (seasonally adjusted) decreased in most industries in November, but remained elevated. Services, transportation and storage demonstrated the weakest decline in price expectations.

**MONETARY CONDITIONS AND BANKING SECTOR.** In October–November, the growth in lending activity slowed down in general. Interest rates on loans increased for all categories of borrowers, and so did yields on short-term deposits. Household saving activity remained high, and the transfer of funds from current accounts to time deposits accelerated. In the retail segment, tighter macroprudential regulation and higher down payments under subsidised mortgage lending programmes produced an additional restraining effect on demand for loans. In the corporate segment, demand for loans mainly originated from the manufacturing, construction and transportation sectors.

**METALLURGY.** In October–November, according to survey findings, production activity continued to be high at Ural-based ferrous metallurgy enterprises. Certain enterprises, in particular, in the Sverdlovsk, Chelyabinsk, and Orenburg Regions, expanded the output of pipes and metal structures. However, the output growth rates slowed overall, due in part to higher production capacity

utilisation, labour shortages and cooling external demand on the part of the main consumers of exports. Moreover, producers reported an increase in prices for metal scrap caused by a decline in scrap collection as a negative factor affecting output. Demand was assessed higher in the production of non-ferrous and precious metals, where processing companies noted both a considerable number of orders and resource concentration at enterprises producing high-margin and premium-class products. On average, the expectations of regional metallurgical enterprises were positive in anticipation of stable and high domestic demand from the machine-building and construction sectors. As estimated by experts, the region will continue to implement investment projects. Given contracting exports and growing expenditures on purchasing imported equipment, the amount of capital investment is likely to decrease.

**CHEMICAL INDUSTRY.** In 2023 Q2 and Q3, the output of the Ural chemical industry exceeded the average monthly level of 2021. The growth in output continued in October. Large-scale manufacturers of chemical products (fertilisers, ammonia, and methanol) either maintained their imports to most traditional markets (Asia, South America, Africa) or redirected supplies to new markets, predominantly Asian ones. Domestic consumers also demonstrated fairly high demand for import-substituting products. The main obstacle hampering the build-up of chemical output was lower profitability of exports: prices in global markets were driven down by tough competition, whereas Russian products prices had a very high share of ever rising logistics costs. The segment of small-scale chemical companies (manufacturing some polymers, paint pigments, and active ingredients of plant protection products) demonstrated a persistently high dependence on imports.

**TRANSPORT AND LOGISTICS.** The insufficient throughput capacity of railway routes and border crossings continued to limit the opportunities of carriers to increase cargo turnover. Some Ural-based enterprises noted the lengthening of delivery times for both shipped and purchased miscellaneous goods, despite the existence of own transport fleets. Both corporate transport services and specialised transport companies noted the lack of drivers and higher prices for spare parts. The macro-region was actively building a logistics infrastructure in border regions to optimise cargo flows. The Republic of Bashkortostan launched the construction of a distribution centre for a large marketplace in August; the Orenburg Region commissioned a distribution centre for a large federal retail chain in October; and the Kurgan Region was completing the construction of a mineral fertiliser warehouse. In the Chelyabinsk Region, the operation of a transport and logistics centre transshipping products from road transport to railways for transit to Asian countries helped increase the road freight turnover.

## BANK OF RUSSIA SIBERIAN

### MAIN BRANCH



In October–November, consumer activity in Siberia increased both in the goods and services segments. Food producers and furniture factories reported growth in production and demand thanks to import substitution, the development of local brands and online trading. Coal companies experienced problems with coal exports.

**CONSUMPTION AND INCOMES.** In October–November, consumer activity in Siberia continued to grow at rates similar to the previous months. Both large supermarkets and convenience stores reported sales growth. Clothing, footwear, furniture and construction materials stores recorded an increase in customer traffic and sales. Online order pick-up points were overloaded due to numerous visitors. Cafe and restaurant owners maintained high expectations of growth in demand for their services, especially in the run-up to the New Year holidays. In the Krasnoyarsk Territory, Novosibirsk and Omsk Regions, the number of bookings was already exceeding the 2022 levels by one-third. High occupancy rates were reported by resorts in the Republics of Altai and Khakassia, where New Year bookings were almost completed.

**PRICES.** In October 2023, monthly price growth (seasonally adjusted) slowed down. Prices for diesel and petrol stabilised owing to export restrictions introduced in September and the return of the damper mechanism. Companies specialising in the manufacture of dairy and meat products, construction materials and furniture continued to pass through their previous months' expenses on logistics and the purchase of imported materials, components, and equipment to prices. In the next three months, most Siberian companies expected price growth to slow down due to the lower cost of lubricants and a stronger ruble.

**MONETARY CONDITIONS AND BANKING SECTOR.** In September–October 2023, business lending conditions continued to tighten, whereas demand for loans remained high. Companies operating in the regions bordering China were showing higher appetite for yuan-denominated loans because of the expansion of business cooperation. In October, there was a certain decline in demand for subsidised and market-based mortgage loans. As credit cards with grace periods remained very popular among households, the turnover on such cards was growing. Even upon the expiry of the grace period, interest rates on such cards were more attractive than 'new' loans. The volume of household funds with banks continued to grow in October. By the middle of November, the level of interest rates offered on deposits reached 15% per annum.

**COAL MINING.** In September–October, coal production in Siberia preserved positive dynamics mainly due to the regions located close to the borders with Asia and Russian Far Eastern ports. Siberian businesses viewed falling coal exports as the most acute problem for the industry. The Kuznetsk Basin, Russia's largest coal mining area, was incurring heavy losses, as exports were declining for two consecutive quarters, which led to an average monthly reduction in coal production of 5% in August–October. Coal export plans were not executed due to the lack of freight capacities. Coal stockpiles in warehouses were growing. As reported by a large thermal and metallurgical coal

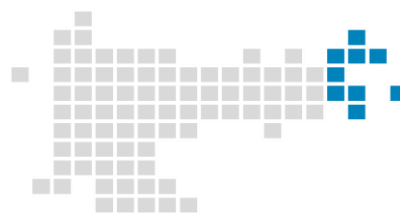
producer, coal shipments declined by 10% since the beginning of the year. Due to problems with shipments, another company pushed back target dates for increasing production. Siberian coal businesses reported that in the current situation, commissioning of new capacities could be feasible only for replenishing depleted reserves.

**FOOD INDUSTRY.** Over the first nine months of 2023, the volume of production in the Siberian food industry was up by 6% in annualised terms. Siberian food companies reported that the growth in demand was facilitated by import substitution, the development of online sales and delivery services, state contracts, and the expansion of exports. Regional meat processors noted that the current demand was higher than last year. As estimated by a large meat manufacturer, the annual sales growth stood at 10%, and the annual investment programme doubled in the third quarter. Another company increased production due to high consumer interest in its line of ready meals. A canned meat manufacturer increased output as part of a state contract. Siberian dairy product manufacturers reported that they had adapted fairly quickly to difficulties associated with the availability of certain ingredients and materials. However, they had to urgently test new suppliers and change the formulations of certain products. Though facing higher costs, the companies continued to increase output and introduce new products to the market, including to replace the products of Western companies that had left the market. Bread and bakery manufacturers noted a decline in demand for standard products and a rise in demand for high-quality and high-margin products. A large manufacturer of confectionery reported that the number of orders grew by 25–35% in October–November in annualised terms. An increase in demand was registered by producers of ecologically safe local specialties (made from Siberian nuts, berries, and maral meat). The exports of certain items to Asia were growing.

**FURNITURE MANUFACTURE.** Over the first nine months of 2023, the manufacture of furniture in Siberia rose by 13% year-on-year, including by one-third in September. Siberian manufacturers attributed the elevated demand to an increase in housing commissioning, the growth of households' inflation expectations, as well as a decline in furniture imports, especially in medium and premium segments. According to a large furniture company, the share of state contracts (furniture for schools, kindergartens, and hospitals) increased by about one-third in annualised terms. Online trade was becoming a driver of the retail trade in furniture in Siberia. Manufacturers of customised furniture reported that they had set up sales channels via marketplaces and were gradually increasing their production capacity. According to industry representatives, the problems with the imports of raw materials and components were generally resolved. However, there still remained problems with western-made equipment and spare parts, as well as with premium-class furniture fittings, the supplies of which from Europe had decreased. The range of goods supplied from East Asia expanded. However, the delivery time from Asia increased due to the high utilisation rate of the Trans-Siberian Railway. It took six to nine weeks to deliver goods from Asia to Siberia, which required holding increased stocks (at least for 3.5 months) and, consequently, the expansion of warehouse space. This year, the prices for furniture manufactured in Siberia were virtually unchanged due to cheaper plywood and wood panels. However, the ruble weakening in 2023 Q3 led to an increase in prices for imported components and equipment. Logistics costs were rising. The cost of furniture manufacture was growing, and this upward trend was passed through to final prices.

## BANK OF RUSSIA FAR EASTERN

### MAIN BRANCH



In October–November, consumer activity in the macro-region edged down, though remaining high. Companies' price expectations reached an 18-month high. Households' demand for loans declined because of higher rates. Labour shortages faced by enterprises slightly abated. The imbalance between exports and imports in the Far Eastern ports decreased due to the reduction in imports. The capacity utilisation rate of shipbuilders reached a three-year high.

**CONSUMPTION AND INCOMES.** In October–November, the macro-region's consumer activity edged down compared to September due to the non-food and public catering segments. A large retail chain of perfumes and household chemicals reported a decline in demand after the earlier increase in prices. A Khabarovsk-based public catering company noted that after the surge in demand in August–September, there was a marked drop in the number of visitors and delivery volumes, which had not been observed in the previous years. However, demand remained robust in the food segment. A large regional food retail chain reported that in October, demand remained at the level of September. A meat product manufacturer in the Primorye Territory reported, that despite higher output prices, sales did not decrease. In November, short-term demand expectations deteriorated in retail trade, whereas they improved in the services segment. On Sakhalin, the volume of New Year hotel reservations exceeded the level of the previous year.

**PRICES.** In October, monthly price growth (seasonally adjusted) slowed down. Price growth slowed down for a wider range of goods and services compared with the previous month. The biggest contribution was made by the lower prices for foreign tourism after their notable increase in the previous month. To a certain extent, this was associated with the expansion of air traffic to some Asian countries. The growth of prices for imported used cars continued to slow down due to the gradual waning of the supply shock caused by the ban on the imports of some categories of cars introduced in August. Motor fuel prices continued to grow, albeit at a slower pace than a month earlier. The decline of petroleum product prices in the wholesale market was offset by the high cost of transportation from other regions. According to weekly data, price growth continued to slow down in November. Companies' price expectations increased in November, reaching record highs since May 2022. Among the reasons for growing price expectations, businesses began to mention higher prices for raw materials and components more frequently.

**LABOUR MARKET.** In the third quarter, the proportion of businesses reporting labour shortages hit a four-year high. A large logging company in the Primorye Territory cut down its shipments due to a shortage of drivers. Developers suspended some projects in order to complete others due to the shortage of construction workers. Amid fierce competition for specialists, employers resorted to various measures to retain and attract personnel. In the Primorye Territory, an instrument engineering plant managed to retain young specialists by compensating non-resident employees for part of their expenses on rented accommodation. A large transportation company attracted specialists from other regions by compensating them for relocation expenses and providing them with corporate housing

which made it possible to fill vacancies. A Kamchatka-based agricultural company hired students and schoolchildren during the harvesting campaign. According to high-frequency data, there was observed a slight improvement in the staffing situation in key industries in November.

**MONETARY CONDITIONS AND BANKING SECTOR.** In early October, the annual growth of the corporate loan portfolio slightly accelerated due to lending to large businesses. A notable contribution was made by loans to fishing companies for the construction of crab-fishing boats under the investment quota programme. There was a slowdown in lending activity in the SME segment. In October–November, credit institutions continued to tighten lending conditions. According to a number of companies, they decided not to raise loans due to growing interest rates. In the Amur Region, the number of loan applications from developers decreased in anticipation of a reduction in demand after the increase in down payments under subsidised programmes. In October, the growth of retail lending slowed down month-on-month because of the rise in interest rates and the tightening of Bank of Russia macroprudential requirements. Household funds in bank accounts continued to grow in October. Due to growing interest rates, households continued to transfer funds from current accounts to time deposits and showed an increased demand for opening new deposits and the renewal of existing ones at higher rates.

**LOGISTICS.** In October, the cargo turnover of Far Eastern ports edged up month-on-month due to growth in oil shipments. The volume of dry cargo handling declined mainly on account of coal (because of its high stocks in the ports of an Asian country). The container turnover of Far Eastern ports contracted by 10% month-on-month because of a decrease in imports. Container exports remained virtually unchanged. Consequently, the export-import imbalance dropped to the lowest level since February. Seeking to increase the volume of deliveries, transport companies continued to launch new routes from Asian countries and expand production capacities. In October, a large enterprise added a new container ship to its fleet. In the Primorye Territory, seaports built up their container capacities on account of new equipment. Due to the high utilisation rate of railways and the increase in transportation tariffs in December, there was noted a rise in demand for cargo transportation by road.

**SHIPBUILDING AND SHIP REPAIR.** In the third quarter, the capacity utilisation of shipbuilding enterprises in the macro-region reached a three-year high on account of numerous domestic orders. In October, a shipyard in the Primorye Territory finished the hull of the last of eight crab-fishing boats as part of the order under the investment quota programme. In November, the Khabarovsk Territory completed the construction of two floating berths and continued to build a cargo and passenger ferry. Demand for ship repair was consistently growing. In the Khabarovsk Territory, after the river navigation season was over, a shipyard accepted three times more vessels than usual for dock repairs and servicing during the winter period. In Yakutia, a new workshop was commissioned at a ship repair yard to improve the quality of repair work. However, an enterprise in the Primorye Territory experienced a shortage of orders after the resumption of repair work in Asian countries. A number of fisheries still preferred to arrange repairs abroad due to problems with spare part supplies, the high cost of repairs, and a shortage of qualified specialists.

## BOX 1

### INVESTMENT ACTIVITY

Between January and September 2023, fixed capital investment increased to noticeably exceed the 2019 level. The key drivers of investment activity were a steady growth in internal demand for products of domestic enterprises caused by the exit of foreign companies, and the consequent implementation of import substitution projects. Moreover, it was government support measures that greatly influenced corporate investment in some sectors. In 2024, companies intend to expand investment using their own funds.

#### GENERAL TRENDS IN CORPORATE INVESTMENT ACTIVITY

**Over January–September 2023, fixed capital investment (FCI) increased by 10% year-on-year. In the third quarter, investment activity continued to grow in both annualised and sequential terms to exceed the 2019 Q4 level by 28% (SA) (Charts 1 and 2). This was fuelled by greater demand for Russian companies' products following the exit of foreign brands from the market, and the implementation of import substitution projects in the key industries of the economy, including government-supported initiatives.**

The increase in capital investment was driven by growth in corporate profits which enabled companies to mobilise necessary capital to invest. In the first nine months of 2023, the balanced financial result of large and medium-sized companies increased by 24% year-on-year. Consequently, the portion of equity capital in the composition of investment funding sources rose to 58% between January and September 2023 (vs 53% on average over 2017–2019). In addition, there was a noticeable increase in the portion of budgetary funds but a decrease in that of borrowings.<sup>4</sup> The most considerable amounts were invested in buildings and other facilities, and in machinery and equipment. Moreover, there had been a significant rise in capital investment in research and development, including innovations and IT, since 2021. The portion of investment in intellectual property amounted to 6% over the first nine months of 2023 (vs 3% on average over 2017–2019).

In January–September, the major contributors to investment growth were manufacturing and transportation and storage in part owing to the development of production facilities to substitute for imports, and large state-owned projects (Chart 3). Increases in investment were also reported by mining and quarrying and consumer services. However, investment decreased in retail trade, agriculture and construction.

**Investment activity was expanding in all the federal districts, with the most significant rises in Southern, Volga and Far Eastern regions** (Chart 4). These regions were implementing large projects in mining and quarrying, manufacturing, and transport and logistics infrastructure projects in part because of the redirection of trade flows to countries in Asia and the Middle East.

#### CORPORATE INVESTMENT ACTIVITY IN KEY INDUSTRIES

**MINING AND QUARRYING.** Between January and September 2023, FCI in mining and quarrying gained 6% year-on-year. The major part of investment was made in the oil and gas sector and the mining and quarrying of metal and other ores.

**Oil and gas production.** Over the first nine months of 2023, investment in oil production increased

---

<sup>4</sup> Hereinafter, data on large and medium-sized companies.



by 15% year-on-year. It was largely driven by growth in foreign demand for energy commodities, in particular in some Asian countries. The Irkutsk Region and the Krasnoyarsk Territory were implementing large projects related to the development of oil and gas condensate fields, the drilling of boreholes and the construction of a pipeline. However, investment in the production of natural gas and gas condensate lost more than 20% year-on-year in January–September 2023. According to companies in this sector, their investment was predominantly aimed at maintaining current production capacities.

**Other mining and quarrying.** In January–September 2023, investment in the mining and quarrying of metal ores and other minerals gained more than a quarter year-on-year. It was primarily made in projects that had been launched earlier. For instance, the Murmansk Region was implementing a number of large projects related to the mining and quarrying of apatite concentrate and metal ores. The Far East and Siberia were implementing projects related to the construction of gold extraction plants and the development of gold ore fields. Nevertheless, some companies in the sector faced a number of problems. Specifically, a large gold extracting company from the Magadan Region had to postpone the commissioning of some facilities for six months, as foreign equipment had not been supplied due to sanctions. It was partially substituted for similar equipment of Russian and Asian make.

**MANUFACTURING.** Investment in manufacturing rose by 12% year-on-year over the first nine months of 2023. More than a half of investment was made in petroleum products manufacture, chemical and metallurgical industries. Notably, the import substitution programmes were being implemented most actively in machine-building, the manufacture of computers and electronics, chemical and food industries. According to a large machine-builder from the Republic of Bashkortostan, its earnings increased by over 50% in 2023 on the back of greater demand. The company invested in the expansion of its assembly facilities to broaden the range of products. A manufacturer of anticorrosion and fire-resistant materials based in the Rostov Region reported about a launch of its own colorant manufacturing line. This would make it possible to introduce a domestic colour matching system.

**TRANSPORT AND INFRASTRUCTURE.** Investment in transportation and storage increased by 10% year-on-year over the first nine months of 2023. Southern, Siberian and Far Eastern regions continued to actively implement logistics infrastructure projects due to growth in foreign trade with countries in Asia and the Middle East. For instance, investment in the development of the Eastern Polygon of the Russian Railways accounted for 60% of total investment the company made in 2023. In October 2023, the Novosibirsk Region opened a large transport and logistics hub, capable of servicing several container trains from Asia at the same time. The Astrakhan Region intended to double capacities of its ports by implementing a marine terminal project.

**The North-West was implementing port infrastructure projects due to the recovery of cargo traffic and the entry of new operators to the market.** The Murmansk region was constructing a sea port to increase cargo traffic along the Northern Sea Route. The Leningrad Region was building a multipurpose terminal intended to handle general, bulk, grain, and food cargoes.

**Regions of Central Russia, Volga-Vyatka, and the Urals were implementing road network projects using budgetary funds.** As instructed by the Government of the Russian Federation, some expenditures were brought forward from 2024 to 2023 and a number of large projects were commissioned this year ahead of schedule. These projects included the 3<sup>rd</sup> and the 4<sup>th</sup> Moscow Central Diameters, and the M12 highway section from Moscow to Arzamas as part of the Western Europe–Western China Transport Corridor project. The construction of the Moscow–Kazan section of the

M12 highway is planned to be completed by the end of the current year, with the motorway to Tyumen to be completed in 2024 instead of 2025.

**RETAIL AND CONSUMER SERVICES.** Investment in retail trade edged down in annualised terms over the first nine months of 2023. The main impediment was a shortage of business capital. Between January and September 2023, the balanced financial result of retail traders lost 5% year-on-year. Investment activities of some retailers were also constrained by labour shortages, which were considerably higher than in the previous year. Owing to a lack of staff, a large regional retailer in Buryatia fully terminated the investment programme for expanding its network. Nevertheless, the promotion of e-commerce boosted investment in the construction of logistics and warehouse facilities of large marketplaces in the regions of the South, the Urals, Siberia, and the North-West.

**Greater demand for domestic tourism supported growth in capital investment in the hospitality and entertainment sector.** Some regions in the South of Russia were implementing projects related to the development of alpine ski resorts, health resorts and recreational facilities. The Kostroma Region continued to build a modern five-star hotel facility on the Golden Ring of Russia route. The Kamchatka Territory was implementing a number of large tourism infrastructure projects, boosting a considerable rise in investment in this sector.

**AGRICULTURE<sup>5</sup>.** Investment in agriculture declined by 4% year-on-year over the first nine months of 2023. The key factor was a shortage of business capital, including due to drops in prices in individual commodity markets. Between January and September 2023, the balanced financial result in agriculture fell by 16% year-on-year, but stayed above the levels of the same periods in the last five years. According to a large South-based machine-builder, farmers reduced their capital investment in agricultural machinery due to lower grain prices and returns on sales.

Some companies reported that their investment activities were constrained by tough price and non-price lending conditions and insufficient limits under subsidised programmes. A large agricultural holding company from the Republic of Mordovia put on hold the implementation of an investment project owing to tougher price conditions under a loan. The company decided to implement this project later using its own funds. A farm in the Volgograd Region postponed the implementation of a potato warehouse project due to a delay in the issue of a subsidised loan. However, companies benefiting from concessional lending stressed the importance of state support measures for maintaining investment activity. For instance, companies in the Republic of Dagestan and the Krasnodar Territory planted fruit and nut gardens using concessional finance and subsidies.

**CONSTRUCTION.** Investment in construction dropped by 4% year-on-year between January and September 2023. Large developers noted that their investment activities were constrained by impeded imports of foreign equipment because of sanctions, higher prices for such equipment due to a weaker ruble, longer and more expensive deliveries resulting from changes in logistics, and a lengthy process of selecting equivalent products in the markets of Russia or friendly countries. A construction company in the Sakhalin Region had to put on hold a scheduled purchase of machinery due to an increase in its price amid the foreign exchange rate fluctuations in the third quarter this year. According to a large builder from the Irkutsk Region, it reduced capital investment in 2023 and put off the implementation of some projects because of longer deliveries of foreign machinery after changes in logistics routes.

---

<sup>5</sup> Agriculture, forestry, hunting, fishing, and fish-farming.

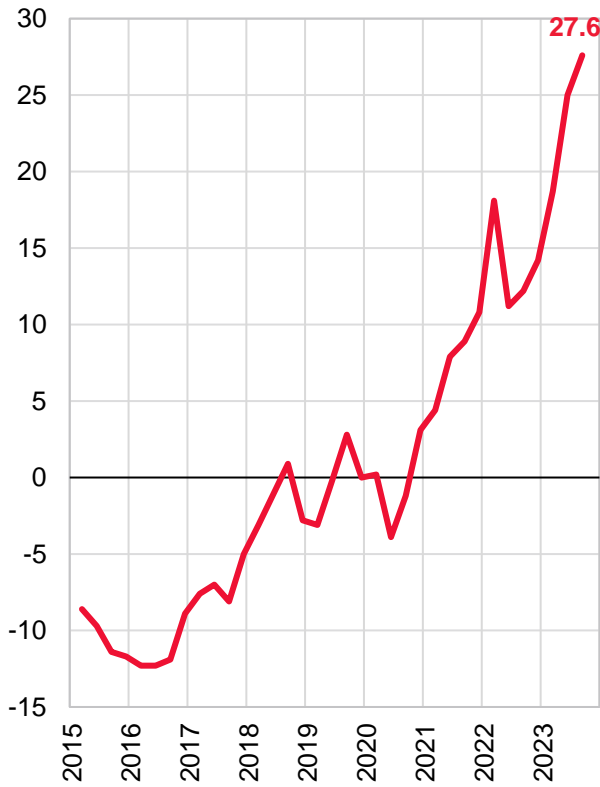
## CORPORATE INVESTMENT PLANS FOR 2024

**According to the Bank of Russia’s monitoring of businesses, investment will go on growing in 2023 Q4 but at a slower pace (Chart 5). Companies expect investment activity to expand in 2024.** The key drivers will still be rising domestic demand and the development of production facilities to substitute for imports. A number of machine-builders from Central Russia plan to increase investment. A vehicle manufacturer based in the Kaliningrad Region intends to launch the manufacture of electric vehicles based on Russian components. A machine-tool builder in the Krasnodar Territory will continue to implement an investment programme aimed at switching to domestic components.

**In 2024, most companies will be implementing their investment projects in accordance with or even ahead of earlier approved schedules.** According to the Bank of Russia’s recent survey conducted in October 2023, over 90% of companies either kept their investment plans for 2024 at the level of June 2023 or increased them. Only 9% of companies reduced their investment programmes for 2024. These were mainly enterprises that raised borrowings to finance their investment. Some Urals-based companies decided against buying new equipment in 2024 because of more expensive borrowings. A fish processing company in the Kamchatka Territory postponed the construction of a new ship and the upgrade of the existing plant which were scheduled for implementation in 2024 using a bank loan.

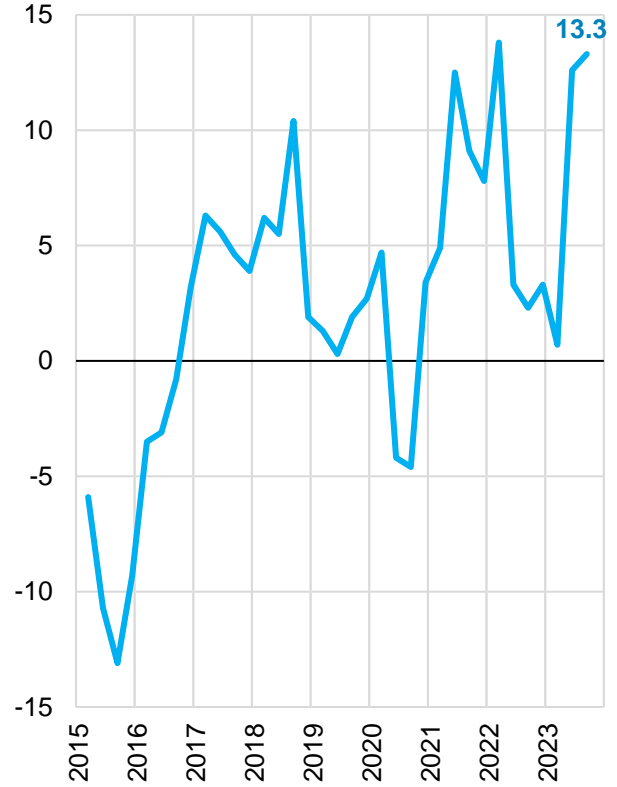
The sizeable fixed capital investment in the first nine months of 2023 coupled with a larger portion of investment in manufacturing and transportation imply an acceleration in the structural transformation of the economy, i.e. high demand boosts the development of import-substituting production facilities and logistics infrastructures to service growing trade flows of goods from/ to countries in Asia and the Middle East. In 2024, companies plan to continue to invest in the development of existing production facilities and the arrangement of new ones to replace foreign companies which have exited the Russian market.

Chart 1. Fixed capital investment, % change on 2019 Q4, SA



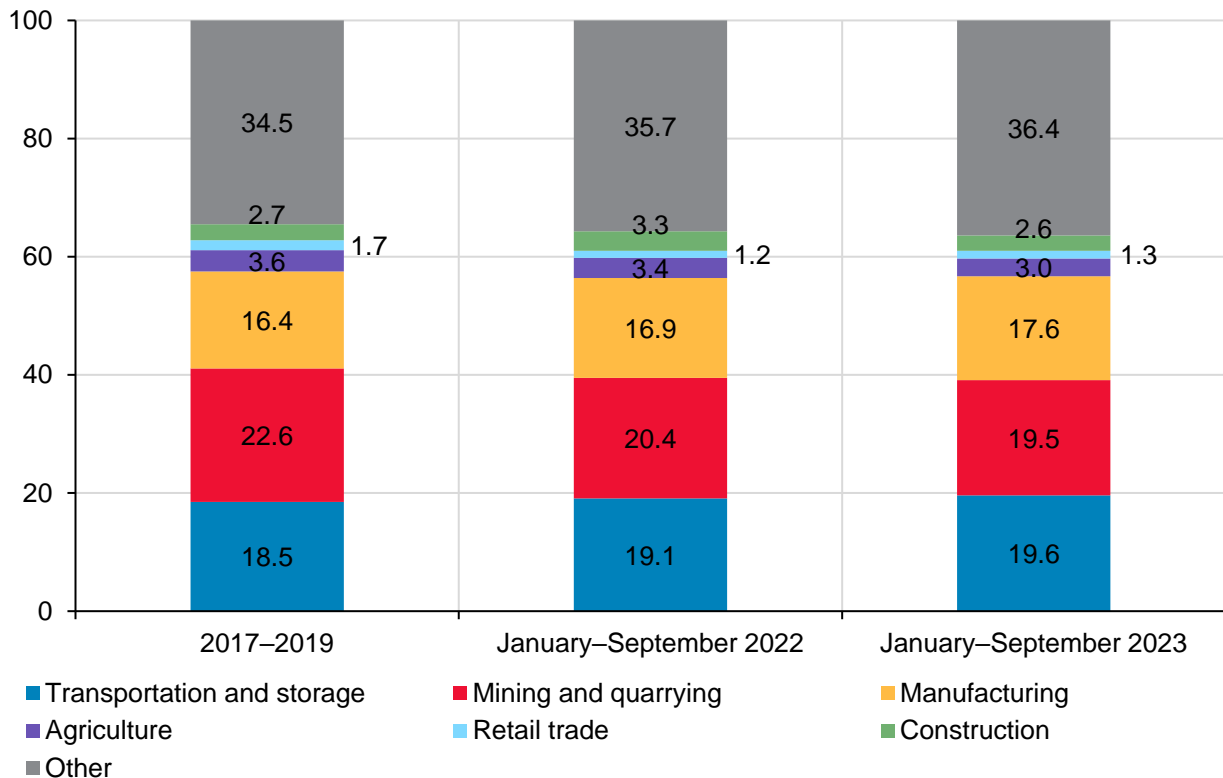
Sources: Rosstat, Bank of Russia calculations.

Chart 2. Fixed capital investment, % YoY



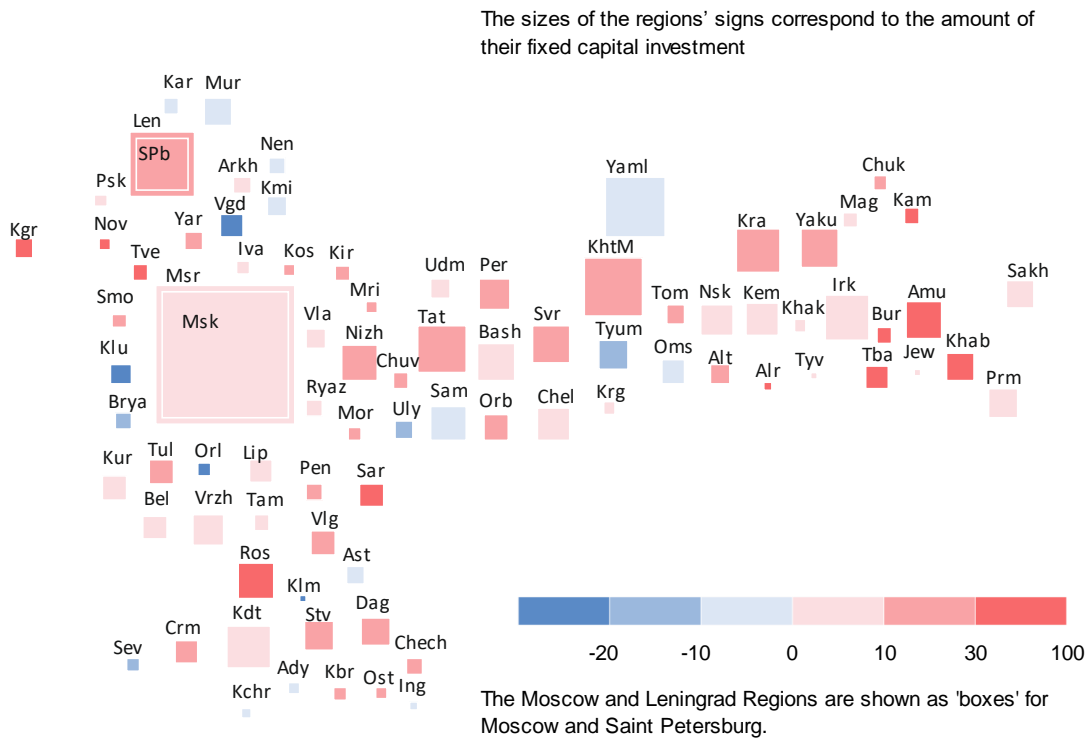
Sources: Rosstat, Bank of Russia calculations.

Chart 3. Fixed capital investment of large and medium-sized companies by industry, %



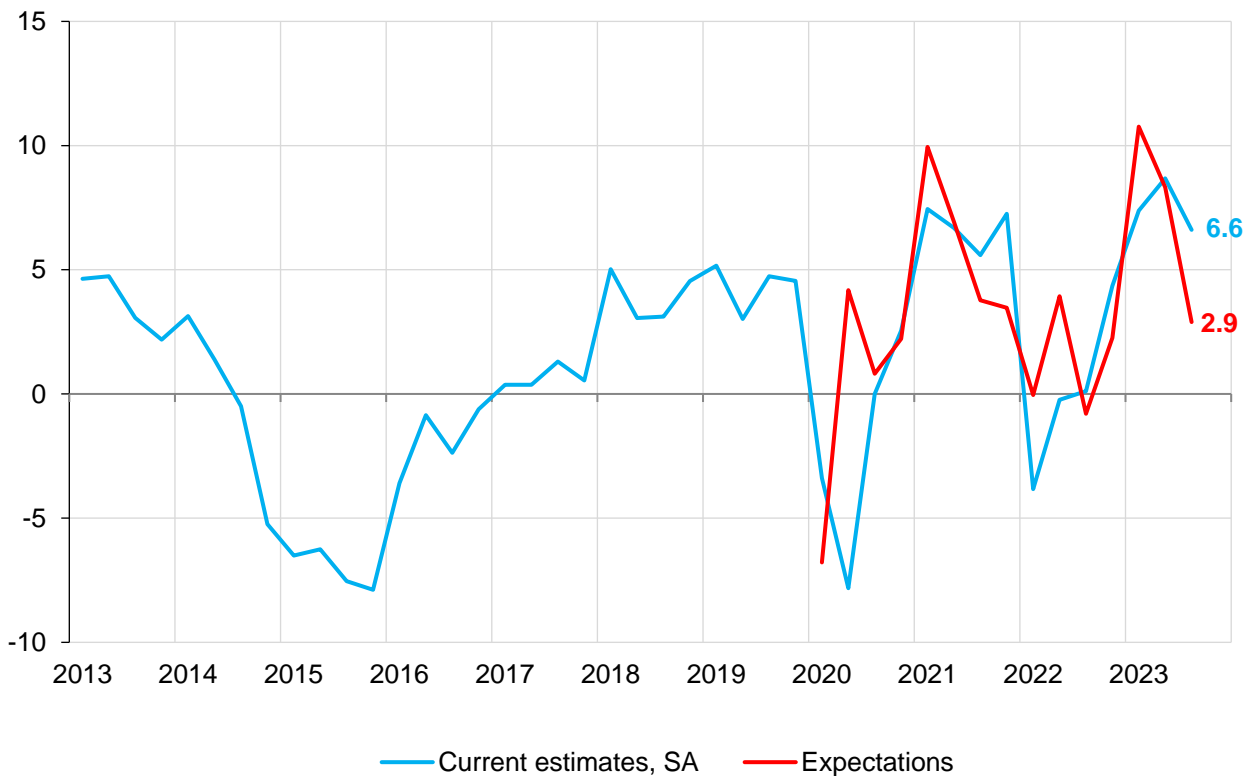
Sources: Rosstat, Bank of Russia calculations.

Chart 4. Fixed capital investment in January–September 2023 by Russian region, % YoY



Sources: Rosstat, Bank of Russia calculations.

Chart 5. Estimates of changes in investment activity, balance of responses, points



Sources: monitoring of businesses, Bank of Russia.

## BOX 2

### PRODUCER PRICES AND PRICE EXPECTATIONS

Producer prices were rising year-on-year starting from July 2023. In October, the annual price growth rate exceeded the recent five-year average. According to companies, higher output prices were associated with the pass-through of higher costs amid elevated demand. In individual markets, the pass-through, however, was hindered by tough competition and contractual obligations. Overall, companies' output prices rose less strongly than costs in 2023. Companies expected output prices to grow further in 2024, albeit at a slower pace.

#### PRODUCER PRICES

**Producer prices in industrial production started to rise rapidly in July 2023.** The annual price growth rate increased to 21.6% in October from 16.7% in September (Chart 1), having exceeded the recent five-year average. Price rises were registered in the majority of industries mainly due to increases in companies' spending on raw materials, components, logistics and labour. In October, the major contributor to the increase in producer prices was mining and quarrying (56.9% YoY) owing to higher prices in the production of coal, oil and the mining of metal ores. There was a significant rise (13.5% YoY) in prices in manufacturing, namely in the manufacture of coke and petroleum products, and in metallurgy. However, the effects of global prices on domestic ones and tougher competition pulled down prices for mineral fertilisers, paper and paperboard. Among Russian regions, the most considerable increases in producer prices were registered in the Urals (35.8% YoY) and Siberia (26.6% YoY) owing to a high portion of mining and quarrying in their industry compositions. The lowest increase in producer prices was observed in the South of Russia (10.9% YoY), primarily focused on the manufacture of consumer and investment goods with more moderate changes in prices.

**According to the Bank of Russia's recent survey, 78% of companies raised output prices in 2023.** These were mainly trade, pharmaceutical and metallurgical companies. The median estimate of changes in output prices came in at +6.5% in 2023 (Chart 2). The highest growth in prices was registered in trade and construction, while the lowest – in agriculture in part owing to state subsidies. According to companies, prices were raised mainly due to higher costs they managed to pass through to prices amid great demand. Specifically, 92% of surveyed companies pointed to higher expenses. The median estimate of changes in costs came in at +11.3% in 2023 (Chart 3).

#### PRICE DRIVERS

**The key driver of rising costs and producer prices was an increase in the cost of raw materials and components.** This was mentioned by 75% of surveyed companies predominantly in construction, machine-building, chemical and pharmaceutical industries. According to developers operating in the majority of Russian regions, the main reason behind growing prices was a rise in prices for construction materials of both Russian and foreign make, and spare parts for construction machinery. As stated by most mining and quarrying companies that used foreign equipment, their costs increased due to higher prices for foreign spare parts and materials. About a half of agricultural companies mentioned more expensive raw materials.

The increased cost of raw materials and components was often associated with the need to change vendors due to sanctions restrictions and a weaker ruble. According to a large transport company

from the Far East, after it changed a European vendor for an Asian one, it started to buy spare parts for ship engines three times more often because of their poor quality, which more than doubled its spending on this item. A large manufacturer of construction materials in the Sverdlovsk Region raised output prices by 10–20%, as it had to buy some manufacturing supplies using the parallel import scheme. A large packaging manufacturer from the Murmansk Region raised its output prices by 10–20% due to more complicated logistics of equipment procurement and higher prices for foreign thin steel sheets, which had no equivalents in the domestic market. In addition, some types of raw materials became more expensive due to higher global prices. For instance, a machine-builder from the Vologda Region incurred higher costs owing to rises in global prices for non-ferrous metals and a weaker ruble.

**Global market trends had a significant impact on growth in producer prices in individual industries.** For instance, oil companies were pricing their products based on global prices, which were rising rapidly in 2023 Q3. Moreover, higher global prices additionally boosted growth in exports. This limited supply in the Russian market and pushed up domestic prices. In 2023, this effect was most evident in pricing in the oil and metallurgical industries.

**Staff shortages were one of the main concerns for producers in 2023. This made companies raise wages.** Most companies noted shortages of both highly qualified professionals and low-skilled workers. Some companies raised wages several times over the year. Consequently, 42% of surveyed companies noted that changes in their payrolls were a reason behind increases in prices. This was predominantly mentioned by companies engaged in construction, machine-building, transportation, services and the pharmaceutical sector. Faced with persistent shortages of qualified staff, a Karelia-based shipbuilder had to engage subcontractors to carry out some works, and consequently incurred higher costs. A shortage of drivers in the labour market made a transport company from the Khabarovsk Territory raise wages. This resulted in an 8%-increase in transportation prices. To retain and attract workers, a large developer in the Volgograd Region raised wages by 40%, but increased output prices by 20%. A Moscow-based cleaning company increased its payroll by 10% owing to a lack of low-skilled staff, which was fully transmitted to its prices. To retain employees, a wood processing company from the Primorye Territory raised wages for the first time in several years despite negative returns.

**More expensive logistics became a meaningful contributor to growth in costs for one-third of surveyed companies.** Due to changes in vendors and logistics flows, companies faced longer delivery routes and higher transportation fees in part owing to higher prices for lubricants. A construction company from the Orenburg Region noted that a considerable rise in its spending on materials deliveries was connected with a lack of freight train cars and a consequent need to arrange deliveries by road transport. It was trade and chemical companies that mentioned higher transportation costs most frequently.

**About 15% of companies reported increases in the cost of servicing their loan portfolios due to a pickup in interest rates in the second half of the year.** These were mainly companies engaged in construction, trade and machine-building. According to a chemical producer based in the Sverdlovsk Region, costs mainly rose on the back of the higher cost of servicing loans.

**High demand allowed producers to pass through higher costs to prices.** According to the Bank of Russia's monitoring of businesses, companies' estimates of current demand were continuously rising throughout the first six months of 2023 to reach a 15-year high by June. Although demand estimates started to decline in July, they were still above multi-year averages in October and November, corresponding to the values of 2021 H2. Companies' expectations for demand in the au-

tumn of 2023 went up to ten-year highs. A Mordovia-based manufacturer of freight train cars managed to pass through costs to prices amid growth in freight transportation and high demand for rolling stock. According to a pharmaceutical company from the Samara Region, it raised output prices by 10–20% despite a smaller increase in costs, as there was great demand for its products following a drop in supply from foreign producers. A manufacturer of industrial equipment based in the Rostov Region was able to pass through its higher costs to prices in full, as European brands exited the Russian market. Steady demand for its products enabled a poultry farm in the Republic of Mari El to raise prices in proportion to the increases in costs. A large cement manufacturer from the Orenburg Region managed to pass through costs to prices due to a limited supply of products in the domestic market. More intensive tourist traffic enabled a hotel facility in the Irkutsk Region not only to pass through this year's higher costs to prices but to partially offset a considerable rise in costs occurred in the previous years.

**The pass-through of higher costs to prices was constrained by tougher competition and a larger supply in individual commodity markets in part due to reduced exports.** A large farm in Mari El reduced milk prices by 16% due to an excessive supply of milk in the market. Wood processing companies in Siberia and the Far East had to decrease prices for their products, as they were unable to redirect supplies from the European market to Asian countries. A fish processing company based in the Kaliningrad Region reduced prices for its products by nearly 10% because of tougher competition and a larger domestic supply in part due to drops in exports following the introduction of export duties in October.

**The pass-through was also limited by companies' contractual obligations and government regulation.** For example, a wholesaler from the Rostov Region was unable to pass through its costs, which had grown by 25%, to prices, as it proved to be difficult to revise conditions of supply contracts with retail chains. According to food companies in the Kaliningrad, Murmansk and Novgorod Regions, they were unable to change prices for their products quickly owing to the conditions of contracts with retail chains. An electric machine-builder in the Kirov Region did not manage to pass through its costs, as contractual prices had been set by the client before the production was launched. The price rigidity arising from contracts and the rate regulation implied that the pass-through of the actual increase in costs to output prices would take place in the future at the time of contracts' revision, and would be more sizeable than if it happened gradually.

## COMPANIES' PRICE EXPECTATIONS

**According to the Bank of Russia's monitoring of businesses, companies' price expectations (balance of responses) for three months ahead declined in November 2023 for the first time since June 2023 but stayed around their highs since April 2022 (Chart 5).** Their decline was accompanied by lower current estimates of demand and slower growth in costs amid the beginning of the ruble appreciation and the stabilisation of lubricant prices. In construction, lower price expectations were associated with a drop in current estimates of demand due to increases in mortgage interest rates following the key rate hikes. Price expectations generally declined in almost all major industries, except mining and quarrying and agriculture. Despite a slight decline, price expectations in trade were still considerably higher than in other economic activities. Nevertheless, companies' estimates of growth in costs were still high. This kept their price expectations at an elevated level amid strong optimism about future demand.

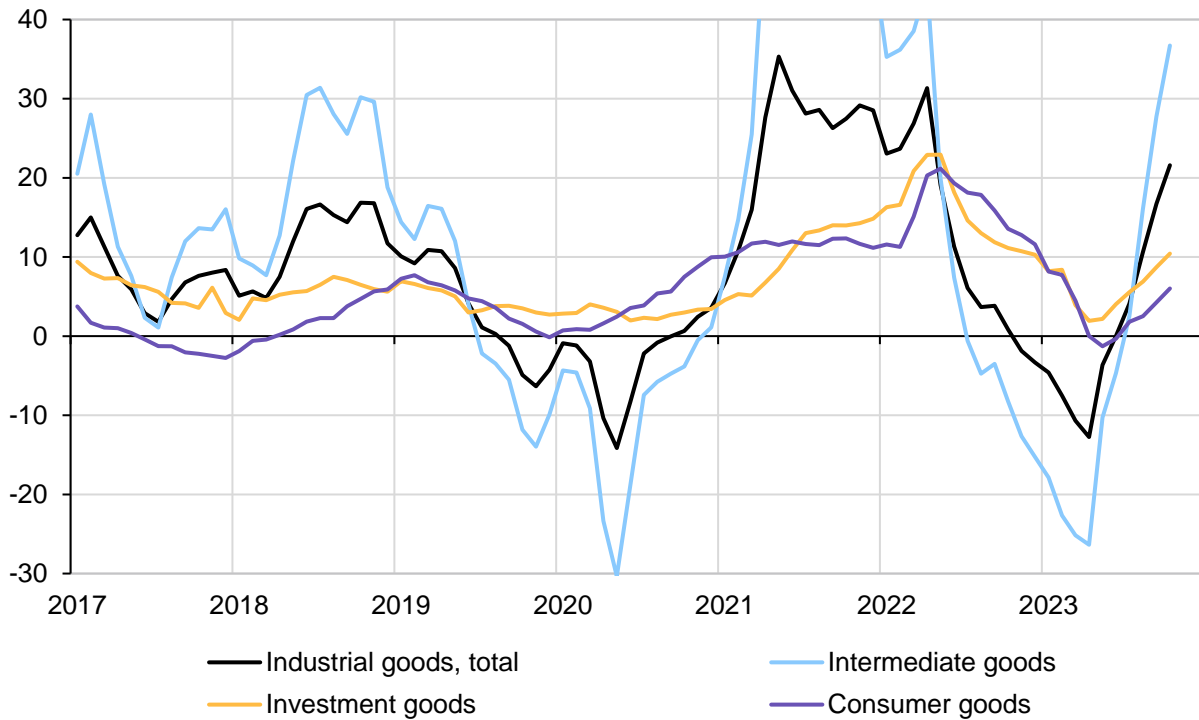
**According to the Bank of Russia's survey, 82% of companies plan to raise output prices in 2024.** Most of them intend to raise prices by a maximum of 10%. Prices are expected to rise mainly because of persistent growth in spending on raw materials and components, and exchange rate



fluctuations. The median estimate of changes in prices planned by companies for 2024 is +5.5% (Chart 6), which is 1 pp lower than in 2023. The sharpest rise in prices is expected by retailers owing to higher input prices and transport charges. The cost of logistics will be affected by the scheduled increase in railway fares in December 2023. Consequently, the majority of cargo carriers intend to raise prices. When making price decisions, companies will be primarily guided by demand. For example, a dairy product manufacturer in the Far East plans to raise prices by 3–5% in 2024 due to moderate demand, whereas costs are expected to rise by 13–15%. Developers note that the scale of the pass-through will depend on demand in the primary market. In certain industries, output prices will be determined by the situation in global markets. For instance, output prices of mining and quarrying companies will depend on prices in foreign markets, primarily in Asia.

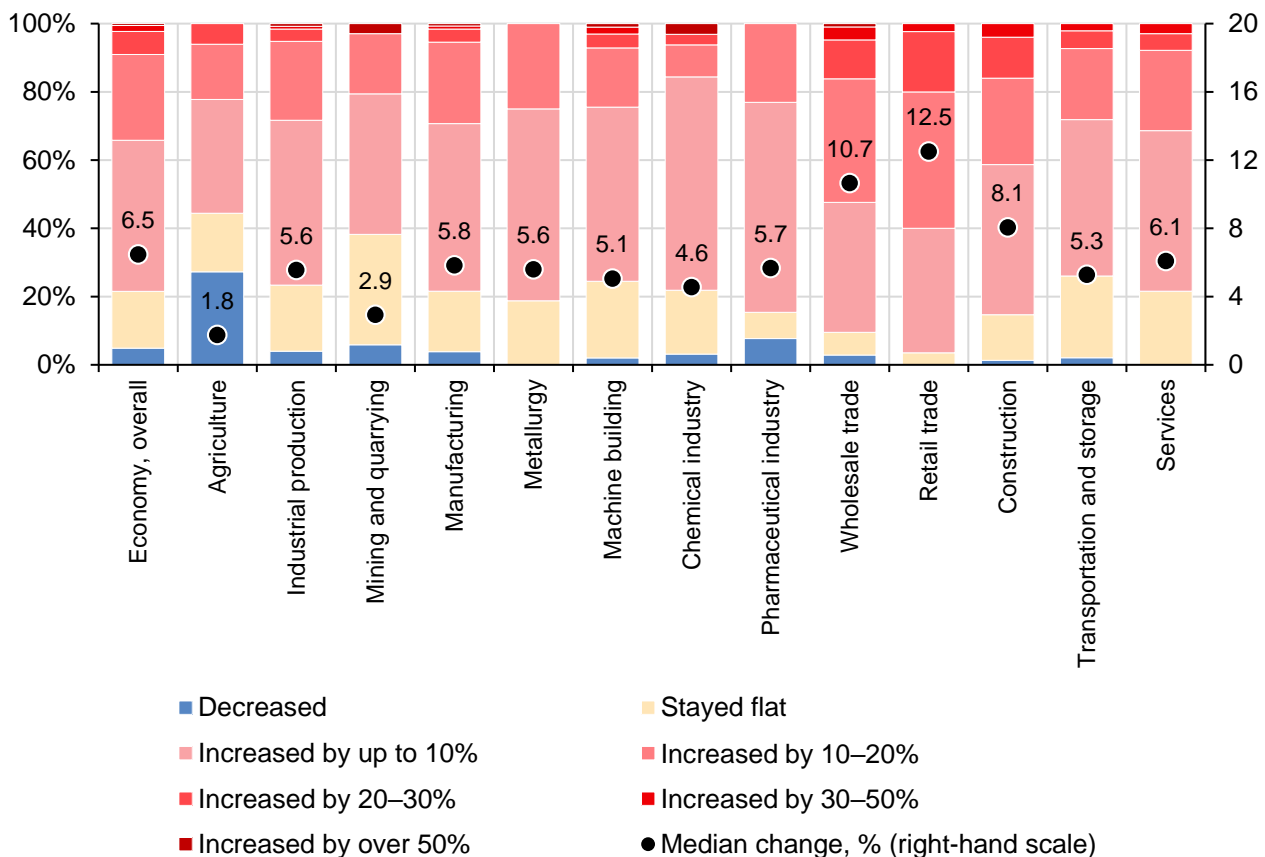
Most producers noted growth in costs in 2023. High demand facilitated their gradual pass-through to output prices. In individual industries, the pass-through was constrained by the existing competition, contractual obligations and government regulation. Companies planned to raise prices for their products to a lesser extent in 2024 than in the current year. They might continue to pass through producer costs to consumer prices amid persistently high consumer demand and elevated inflation expectations.

Chart 1. Industrial producer price index, % YoY



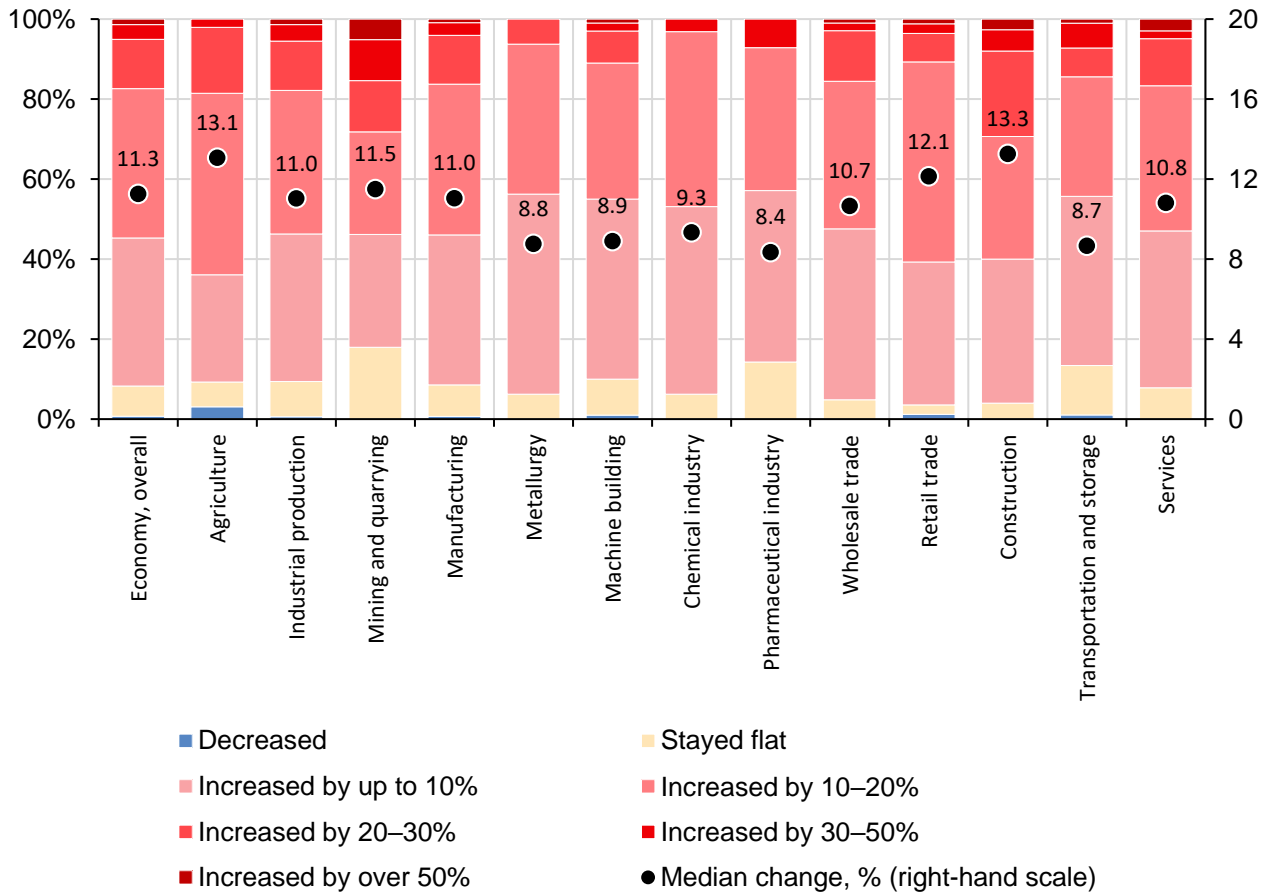
Source: Rosstat.

Chart 2. Companies' answers to the question about changes in output prices in 2023, % of respondents



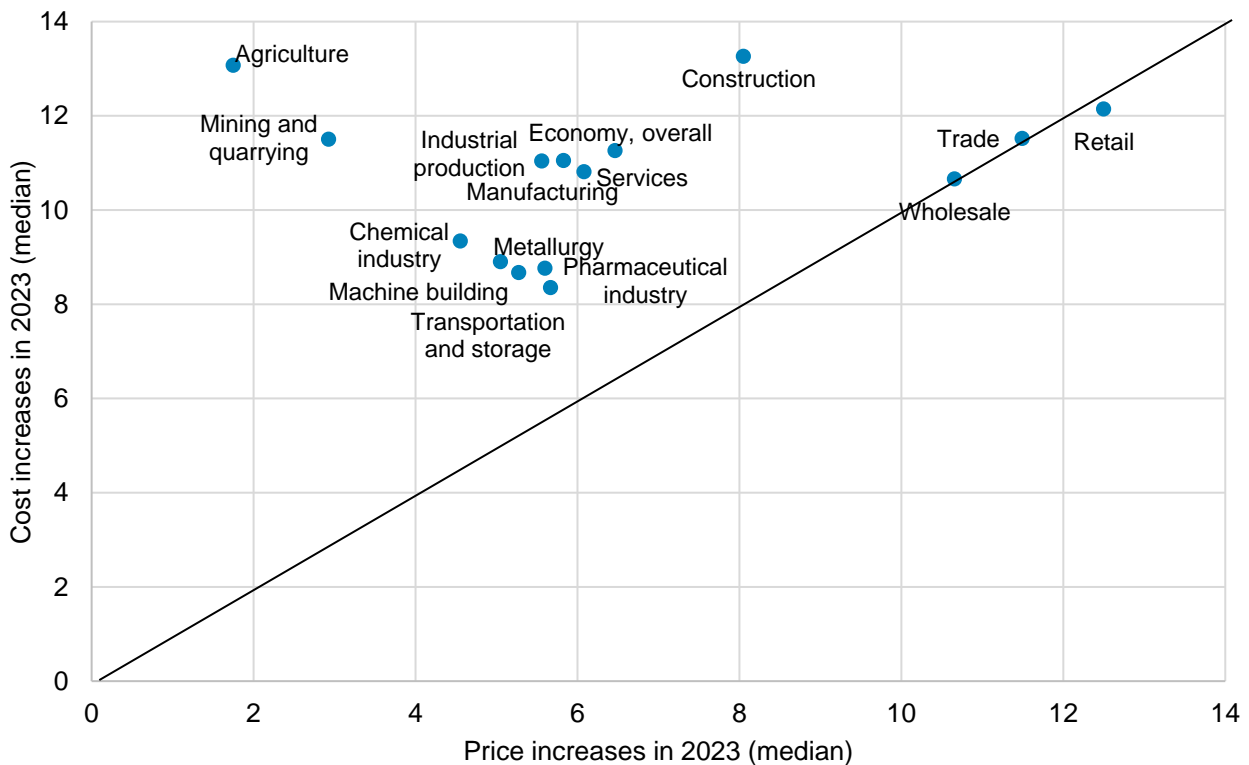
Source: Bank of Russia.

Chart 3. Companies' answers to the question about changes in costs in 2023, % of respondents



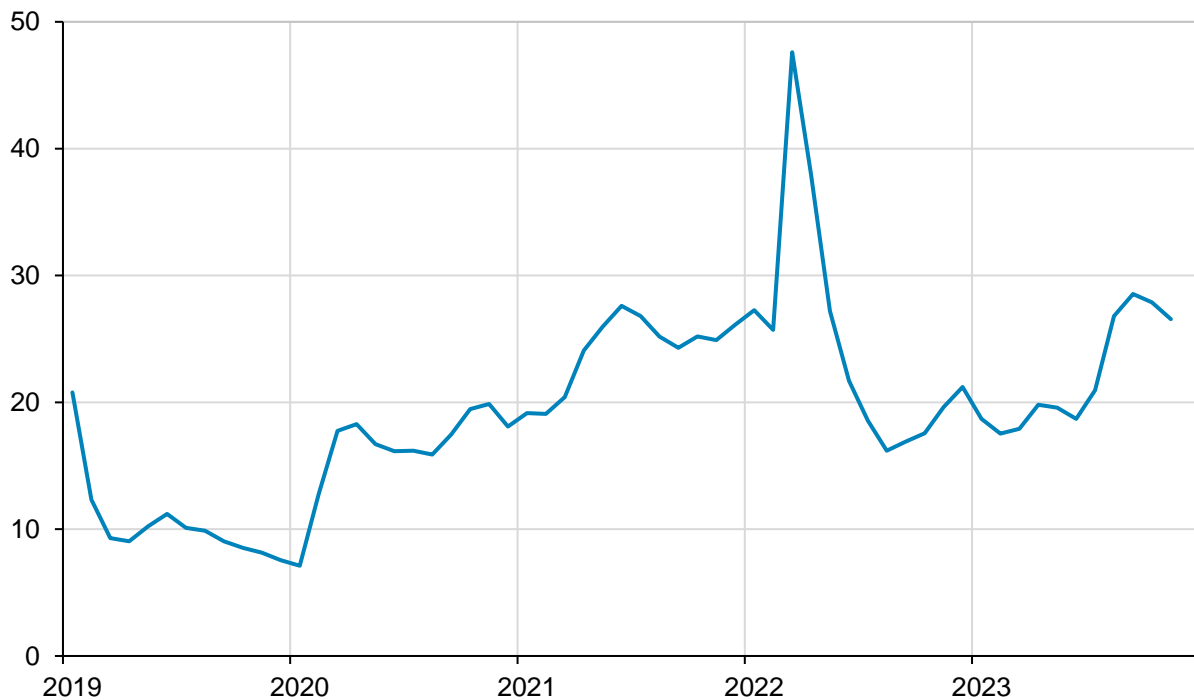
Source: Bank of Russia.

Chart 4. Companies' cost-to-price ratios in 2023 by industry, % YoY



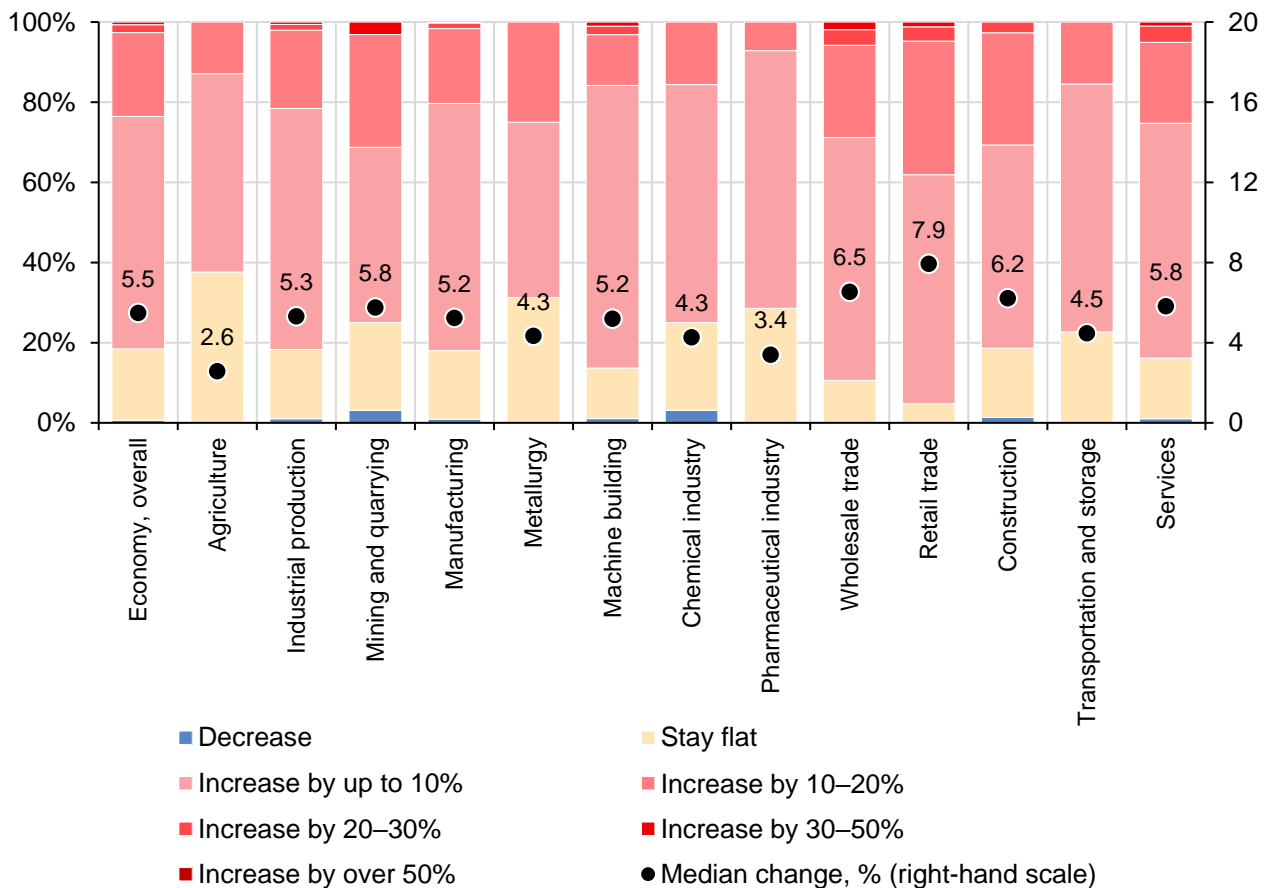
Source: Bank of Russia.

Chart 5. Companies' price expectations, balance of responses, points SA



Source: Bank of Russia.

Chart 6. Companies' answers to the question about expected changes in output prices in 2024, % respondents



Source: Bank of Russia.

## BOX 3

### INDUSTRY FOCUS. AIR TRANSPORT

In 2023, the volume of the passenger air transport was recovering in Russia after a considerable fall in 2022 due to sanctions restrictions. The wider geography of flights and the development of domestic tourism were the drivers of positive trends in the industry. The purchase of aircraft from foreign lessors and the development of production facilities to substitute for imports helped airline companies preserve their aircraft fleets. However, the recovery of the industry had been slowing down since the spring of 2023 in part due to rises in ticket prices, as companies were passing through the higher cost of fuels and spare parts to prices. The growth rate of passenger traffic slightly declined in September.

#### OPERATING ENVIRONMENT

**The air industry was turbulent over the last four years.** Demand for air transport plummeted during the COVID-19 pandemic due to lockdowns and lower household incomes. It was recovering alongside the improvement in the epidemic situation and generally reached the pre-pandemic levels by the beginning of 2022. However, in March 2022, foreign authorities imposed a number of sanctions that significantly affected both air transport operations and aircraft fleets, as well as the replenishment of the latter.

First, bans were imposed on the supplies of foreign aircraft and spare parts, as well as on their maintenance and insurance. Foreign leasing companies were obliged to take back leased out planes from Russian carriers. Besides, foreign authorities suspended certificates of airworthiness issued for aircraft operated by Russian companies.

Second, Russian airlines were banned from flying over the EU air space and some countries in North America. Moreover, authorities closed the majority of airports in the South of Russia, which were handling one-fifth of the domestic passenger traffic. Consequently, air transport operations declined by one-third in May 2022 against 2021 Q4 (SA), including an almost two-third fall in international flights.

These major factors determined the industry's operating environment in 2022–2023. To meet the existing challenges, the industry underwent a structural transformation in terms of both the geography of flights and the aircraft fleet.

#### AIRCRAFT FLEET AND ITS REPLENISHMENT

**Since spring 2022, airlines have been gradually removing planes operated by Russian companies from foreign registers and buying them from foreign leasing companies to preserve the aircraft fleet. The aircraft fleet of Russian airlines is currently comprised of over 1,000 vessels, 75% of which are mainline aircraft.** They are capable of transporting 120–130 million passengers a year in total. The aircraft fleet mainly consists of foreign vessels. The import substitution of their spare parts is being actively developed. For instance, a machine-builder in the Volga Region launched the manufacture of aircraft fittings. Large companies from Central Russia started to supply brake plates and develop aircraft tyres for domestic airlines. In general, the existing fleet of foreign aircraft is quite young (~15 years old). The aircraft fleet will be replenished with new vessels of Russian make in the future.

**According to the comprehensive Russian aircraft industry development programme, over 500 mainline aircraft are planned to be produced by 2030.** By the end of the period, their output will exceed the historical high. The production will be focused on medium-haul aircraft (the MC-21-310RUS, the Tu-214) and short-haul ones (the SuperJet-100). In September, one of Russian airlines entered into a leasing contract for over 50 MC-21-310RUS and SuperJet-100 aircraft.

**The implementation of the import substitution strategy in Russia includes the development of technologies, engines, wings, and avionics.** Industry representatives expect the medium-haul MC-21-310RUS and the short-haul SuperJet-100 to be certified in 2024–2025. Each of these jets have competitive passenger capacity, weight, flying ranges and fuel efficiency. The production of these aeroplanes will be located in Russia as much as possible. They will be equipped with engines, components and avionics of Russian make. Consequently, demand for labour in the aircraft industry is rising. The most sought-after employees are engineers, assemblers, and technicians.

## AIR TRANSPORT

**The passenger traffic on scheduled air transport increased by 14% year-on-year in the first nine months of 2023. Airlines began to expand the geography of their flights amid sanctions restrictions. Due to airspace closures, flying ranges increased, pushing up companies' costs.** On average, the flying time from Moscow to the Krasnodar Territory doubled. In 2022, a large Russian airline registered an increase by over 10% in its annual average flying range, including a ~16% rise in that of domestic flights.

**Both the development of domestic tourism and a subsidy programme for regional routes bypassing the metropolitan area supported the recovery in the domestic passenger traffic.** Consequently, airports in the South and the Far East began to play a greater role in terms of tourism, with airports in the Urals and Siberia becoming important transit points. For instance, new flights were launched from Novosibirsk to Makhachkala and Grozny. In 2023, flights were also launched from Saint Petersburg to Gorno-Altaysk, Chita and Vladivostok. Thus, the share of domestic flights bypassing Moscow exceeded 50% for the first time.

**As for international passenger traffic, airlines were actively developing routes to countries in Asia, Africa, and the Middle East.** Given the current conditions, they serve not only as tourist destinations but also as transit points for flights to other destinations. Flights to Asian countries grew most of all.

**Since the spring of 2023, the recovery in air transport had been slowing down and came to a halt in September. In September 2023, overall scheduled passenger traffic stayed ~11% below the 2021 Q4 (SA) level.** In summer, the cost of air transport started to rise following increases in fuel prices. This constrained the recovery growth in the industry.

## AIRFARES

**In October 2023, economy class airfares appreciated approximately by 40% year-on-year, adding ~0.7 pp to growth in services prices and ~0.2 pp to overall growth in consumer prices.** Airfares grew most of all in the South and the North-West of Russia, and in Siberia. In the Far East, airfares increased, however, by no more than 10.3% year-on-year in October thanks to air transport subsidies.

Changes in airfares were greatly affected by higher costs incurred by carriers. According to a large airline, the costs of fuel and aircraft fleet maintenance were up by 25% and 50%, respectively, on

average over the first nine months of 2023. Taken together, these rises resulted in at least a 30% increase in the cost of a flight. Moreover, the recovery in demand encouraged companies to pass through the costs of previous years to prices. Overall, according to industry experts, growth in airfares was considerably lagging behind that in costs incurred by airlines in the last few years. On the one hand, this was possible, as companies had stocks of spare parts, and aviation kerosene was subject to the damper mechanism. On the other hand, the industry was supported by sizeable public finance in 2022. Since the beginning of the 2023 spring–summer period, companies, however, have been actively passing through higher costs to prices.

The reduction in budgetary subsidies to air carriers may also exert some upward pressure on prices. Nevertheless, price growth will be curbed by the completion of the pass-through of costs to ticket prices and a high base effect.

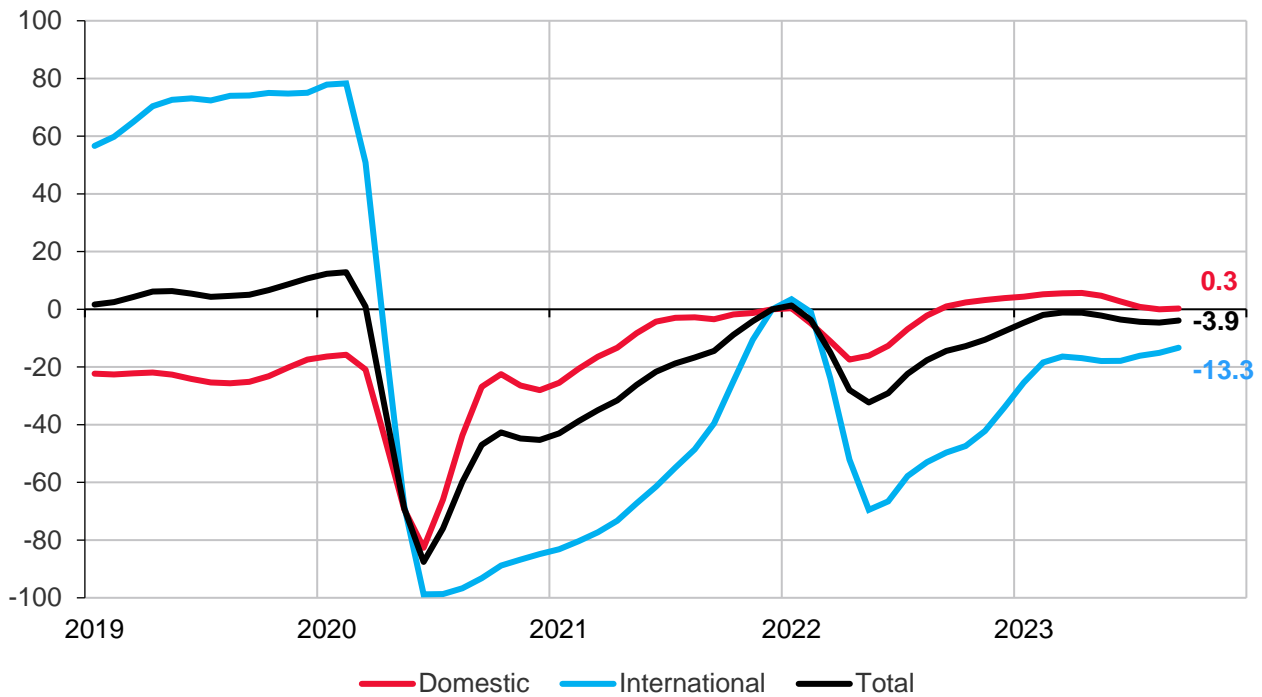
In 2023, airlines were aggressively increasing their aircraft fleets available for international air transport. They purchased vessels from foreign lessors and remove them from foreign registers. The launch of new routes and the development of domestic tourism facilitated the rise in demand and the recovery in air transport volumes. Growth in airfares was notably impacted by higher costs incurred by airlines in connection with the necessity to substitute for the imports of spare parts, and a reduction in subsidies to the industry. This growth will slow down gradually, as these factors dissipate.

Chart 1. Scheduled passenger air transport, % on 2021 Q4, SA



Sources: Rosstat, Bank of Russia calculations.

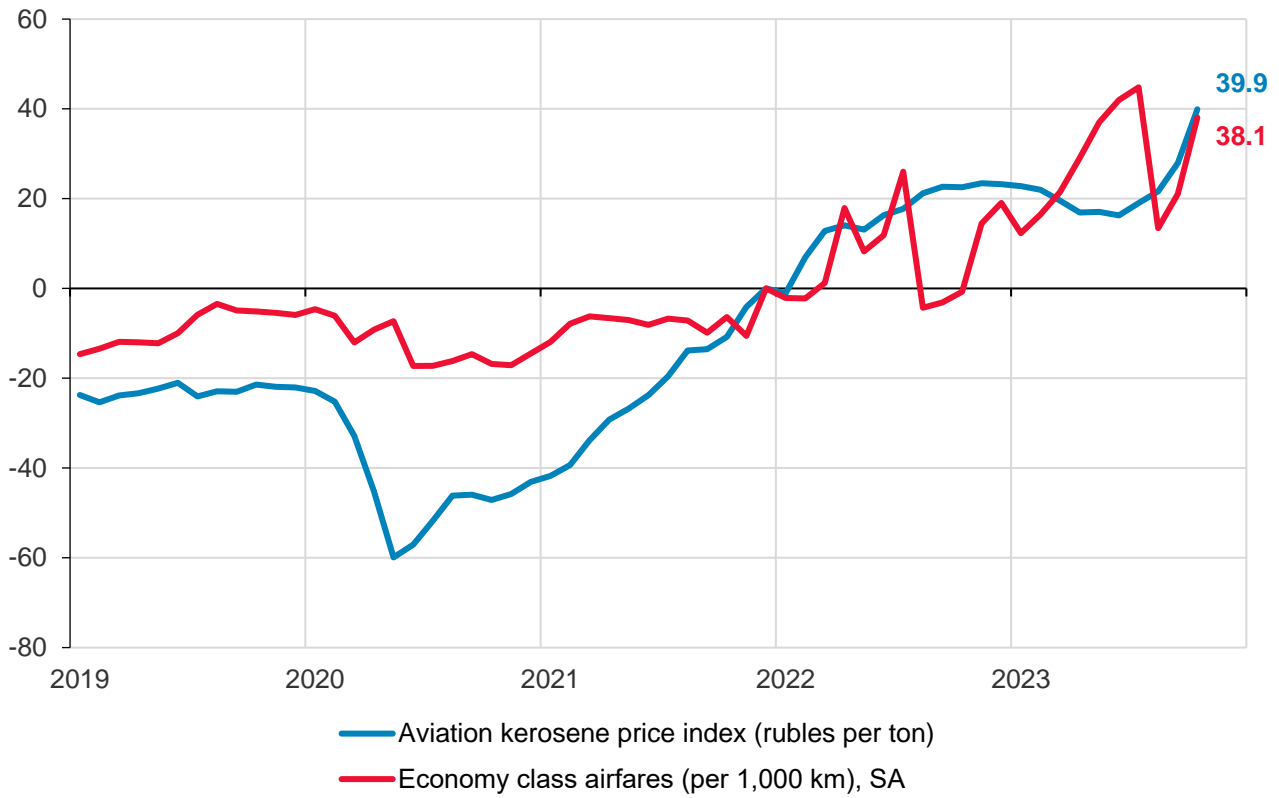
Chart 2. Scheduled passenger traffic, % on 2021 Q4, SA



Sources: Rosstat, Bank of Russia calculations.



Chart 3. Airfares and aviation kerosene prices, % on December 2021



Sources: Rosstat, Saint Petersburg International Mercantile Exchange, Bank of Russia calculations.

## EARLIER ISSUES AND BOXES THEREIN



**No. 23**  
**18 October**  
**2023**

2023 harvesting: preliminary results and food price changes  
Monetary conditions and credit and deposit markets  
Industry focus. Truck market



**No. 22**  
**6 September**  
**2023**

Situation in regional labour markets  
Export logistics amid the structural transformation of the economy  
Industry focus. Wood processing: furniture manufacturing



**No. 21**  
**12 July**  
**2023**

Situation in the automobile industry  
Regional budgets in 2023  
Industry focus. Freight logistics



**No. 20**  
**31 May**  
**2023**

Domestic tourism: transformed demand and supply capacity  
Industry focus. Ferrous metallurgy



**No. 19**  
**19 April**  
**2023**

Consumer demand  
Crop production in 2023



**No. 18**  
**9 March**  
**2023**

Restrictions on investment goods import and their impact on investment activity  
Housing construction and its regional specifics in 2022–2023: challenges and prospects



**No. 17**  
**1 February**  
**2023**

Regional and sectoral labour markets  
Producer costs



**No. 16**  
**8 December**  
**2022**

Investment activity amid the structural transformation of the economy  
Regional budgets: 2022 results and 2023 plans



**No. 15**  
**20 October**  
**2022**

2022 harvesting campaign: preliminary results and impact on food prices  
Monetary conditions and credit and deposit markets



**No. 14**  
**8 September**  
**2022**

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

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



**No. 13**  
**14 July**  
**2022**

The level of stocks

Households' consumption and saving behaviour



**No. 12**  
**2 June**  
**2022**

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

The housing market and current trends in housing construction



**No. 11**  
**20 April**  
**2022**

Changes in the geography of export and import supplies

Progress of seasonal field work



**No. 10**  
**3 February**  
**2022**

Producer prices for food

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



**No. 9**  
**9 December**  
**2021**

Investment activity in 2021 Q3

Regional budgets in 2021



**No. 8**  
**14 October**  
**2021**

Heterogeneous consumer price dynamics

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



**No. 7**  
**2 September**  
**2021**

Businesses' price expectations

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



**No. 6**  
**15 July**  
**2021**

Situation in global markets and external demand sectors in 2021 H1

Rebound in regional labour markets in 2021 H1



**No. 5**  
**3 June**  
**2021**

Business activity of small- and medium-sized enterprises

State of the tourism and related services market



**No. 4**  
**15 April**  
**2021**

Supply-side constraints and their factors in individual product groups

Current situation in the motor fuel market



**No. 3**  
**11 March**  
**2021**

Influence of recent regulatory measures on food market

Regional budgets in 2020 and expectations for 2021



**No. 2**  
**4 February**  
**2021**

Impact of the coronavirus pandemic on regional labour markets

Housing market and its regional specifics in 2020



**No. 1**  
**18 December**  
**2020**

Consumer demand: the impact of the worsening epidemiological situation

## ANNEX

### CORE ECONOMIC INDICATORS

#### Core indicators. Russia

Table 1

		2021	2022	2022	2022	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	8.4	11.9	13.7	11.9	3.5	3.3	6.0	6.0	6.7	
Core inflation	% YoY	8.9	14.3	17.1	14.3	3.7	2.4	4.6	4.6	5.5	
Industrial production	3MMA, % YoY	6.3	0.6	-0.3	-1.4	-1.2	5.8	5.3	5.3	5.4	
Fixed capital investment	Cumulative,	8.6	4.6	5.4	4.6	0.7	7.6	10.0			
Construction	3MMA, % YoY	7.0	5.2	5.2	6.9	8.9	9.7	8.0	8.0	6.8	
Housing commissioning	3MMA, % YoY	12.7	11.0	1.7	-21.4	-1.2	-0.6	4.1	4.1	-3.7	
Retail	3MMA, % YoY	7.8	-6.5	-9.8	-9.6	-7.0	9.4	11.3	11.3	12.0	
Commercial services	3MMA, % YoY	17.2	5.0	3.9	3.0	2.8	5.0	4.9	4.9	4.8	
Real wages	3MMA, % YoY	4.5	0.3	-2.0	0.4	1.6	11.4	8.6	8.6		
Real disposable income	% YoY	3.9	-1.5	-4.3	-0.6	3.2	5.4	4.9			
Unemployment	% SA	4.8	3.9	3.9	3.7	3.5	3.2	3.0	3.0	3.0	
Outstanding consumer loans	% YoY	19.5	2.5	4.3	2.5	4.9	12.4	16.9	16.9	18.3	
Outstanding mortgage loans	% YoY	26.7	17.7	16.8	17.7	16.0	23.5	29.1	29.1	30.6	
Funds in escrow accounts	% YoY	158	32.7	53.7	32.7	11.8	15.0	30.0	30.0	32.9	
Non-financial organisations' outstanding bank loans	% YoY	14.6	19.7	16.7	19.7	19.4	23.9	26.1	26.1		
• Large borrowers	% YoY	12.3	17.6	13.8	17.6	17.7	21.9	24.9	24.9		
• SMEs	% YoY	27.5	29.9	31.8	29.9	27.6	32.1	31.1	31.1		
Companies' price expectations	Balance of responses, SA	20.0	21.8	15.3	17.9	16.7	16.3	21.4	24.0	24.1	23.3
Business Climate Index	SA, pp	4.6	-0.2	1.9	0.6	5.4	8.8	5.8	6.0	6.3	6.8
• Current estimates	SA, pp	-1.9	-6.1	-4.7	-5.9	-1.3	4.2	1.1	0.9	-0.2	-0.4
• Expectations	SA, pp	11.4	6.0	8.7	7.4	12.3	13.4	10.8	11.2	13.0	14.2

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2021	2022	2022	2022	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	8.3	12.5	14.2	12.5	4.2	3.6	6.1	6.1	6.7	
Core inflation	% YoY	9.0	14.9	17.7	14.9	4.3	2.9	4.8	4.8	5.6	
Industrial production	3MMA, % YoY	19.8	9.0	9.8	2.3	6.1	12.3	15.9	15.9	16.2	
Fixed capital investment	Cumulative, % YoY	14.5	-0.2	1.4	-0.2	-10.5	4.0	5.7			
Construction	3MMA, % YoY	5.2	12.0	13.0	12.0	5.9	11.2	6.0	6.0	4.0	
Housing commissioning	3MMA, % YoY	14.3	12.6	-2.3	-21.8	-11.4	-9.7	-7.2	-7.2	-10.3	
Retail	3MMA, % YoY	8.5	-10.5	-14.9	-14.9	-11.6	9.7	13.3	13.3	14.6	
Commercial services	3MMA, % YoY	23.5	7.3	4.2	5.2	2.1	7.8	7.1	7.1	7.7	
Real wages	3MMA, % YoY	5.6	-0.9	-4.8	-2.0	-2.3	10.2	8.0	8.0		
Real disposable income	% YoY	5.4	-2.2	-5.4	-2.1	2.1	6.9	6.9			
Unemployment	% SA	3.5	3.0	3.0	2.9	2.8	2.5	2.4	2.4	2.4	
Outstanding consumer loans	% YoY	19.9	2.7	4.8	2.7	4.7	11.9	16.5	16.5	18.1	
Outstanding mortgage loans	% YoY	29.2	16.9	18.3	16.9	14.8	20.3	24.0	24.0	25.5	
Funds in escrow accounts	% YoY	171	39.6	59.3	39.6	16.1	15.7	25.5	25.5	25.5	
Non-financial organisations' outstanding bank loans	% YoY	13.1	15.6	13.3	15.6	18.3	23.1	24.5	24.5		
• Large borrowers	% YoY	10.0	13.2	10.0	13.2	16.2	20.8	23.9	23.9		
• SMEs	% YoY	36.6	30.1	35.6	30.1	30.1	34.7	27.2	27.2		
Companies' price expectations	Balance of responses, SA	29.0	28.2	19.6	22.4	19.8	22.2	29.3	33.1	33.0	32.7
Business Climate Index	SA, pp	6.6	0.2	1.6	2.7	6.0	5.4	5.5	6.7	8.3	9.4
• Current estimates	SA, pp	-1.1	-6.3	-6.7	-4.8	0.1	-0.2	-0.4	0.0	0.4	1.0
• Expectations	SA, pp	14.5	6.9	10.3	10.4	12.0	11.2	11.5	13.7	16.4	18.2

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	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	8.5	11.9	13.7	11.9	3.3	3.6	5.9	5.9	6.5	
Core inflation	% YoY	8.9	14.7	17.5	14.7	3.8	2.7	4.3	4.3	5.2	
Industrial production	3MMA, % YoY	5.2	0.8	-5.3	1.5	-1.5	5.2	5.3	5.3	4.9	
Fixed capital investment	Cumulative, % YoY	3.6	-5.0	-7.0	-5.0	4.5	3.2	7.7			
Construction	3MMA, % YoY	3.7	-10.5	-10.8	-13.5	0.3	-0.3	10.1	10.1	13.8	
Housing commissioning	3MMA, % YoY	13.3	8.4	-19.6	-8.6	-10.1	-6.1	15.7	15.7	-0.7	
Retail	3MMA, % YoY	11.7	-6.3	-10.7	-10.3	-8.6	10.8	13.0	13.0	14.5	
Commercial services	3MMA, % YoY	19.2	4.8	4.8	4.3	3.8	2.2	3.8	3.8	3.2	
Real wages	3MMA, % YoY	4.3	0.4	-2.7	0.7	0.6	10.3	7.5	7.5		
Real disposable income	% YoY	5.8	-1.4	-5.3	-0.1	1.1	5.5	5.1			
Unemployment	% SA	3.9	3.2	3.4	3.2	3.1	2.7	2.5	2.5	2.5	
Outstanding consumer loans	% YoY	18.7	1.7	3.8	1.7	3.8	10.9	14.9	14.9	16.2	
Outstanding mortgage loans	% YoY	26.5	15.3	16.2	15.3	12.7	18.0	21.8	21.8	23.1	
Funds in escrow accounts	% YoY	255	32.4	77.5	32.4	7.5	9.5	16.7	16.7	17.9	
Non-financial organisations' outstanding bank loans	% YoY	28.3	45.4	29.5	45.4	34.8	37.6	51.4	51.4		
• Large borrowers	% YoY	32.5	46.1	28.9	46.1	39.3	42.2	53.3	53.3		
• SMEs	% YoY	11.0	42.0	32.4	42.0	14.2	17.5	42.6	42.6		
Companies' price expectations	Balance of responses, SA	23.3	24.0	16.9	19.2	17.5	19.3	24.4	26.5	27.0	27.2
Business Climate Index	SA, pp	4.5	-4.5	-4.5	-3.0	1.1	3.0	2.3	2.0	3.2	5.2
• Current estimates	SA, pp	-1.5	-9.8	-10.5	-8.7	-5.0	-2.4	-2.3	-2.9	-3.1	-1.7
• Expectations	SA, pp	10.7	1.0	1.7	2.9	7.5	8.6	7.1	6.9	9.8	12.3

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	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	8.6	12.4	14.2	12.4	3.7	3.2	5.9	5.9	6.5	
Core inflation	% YoY	9.4	14.7	17.8	14.7	3.5	2.2	4.4	4.4	5.3	
Industrial production	3MMA, % YoY	8.7	3.1	2.6	2.3	1.4	10.9	10.1	10.1	9.1	
Fixed capital investment	Cumulative, % YoY	5.5	3.3	5.7	3.3	4.0	11.9	17.8			
Construction	3MMA, % YoY	13.8	14.2	11.5	10.1	6.2	32.8	8.8	8.8	10.7	
Housing commissioning	3MMA, % YoY	8.5	3.8	14.4	-31.5	14.5	9.1	-10.4	-10.4	-9.2	
Retail	3MMA, % YoY	6.0	-3.6	-5.4	-3.7	-1.6	11.9	11.5	11.5	12.5	
Commercial services	3MMA, % YoY	10.9	3.6	3.0	1.3	3.9	3.8	4.5	4.5	3.9	
Real wages	3MMA, % YoY	4.3	0.8	-1.3	0.9	4.8	14.0	11.9	11.9		
Real disposable income	% YoY	2.1	-0.6	-3.1	1.9	4.9	9.6	7.9			
Unemployment	% SA	4.0	3.2	3.3	3.1	2.7	2.5	2.2	2.2	2.1	
Outstanding consumer loans	% YoY	19.2	1.2	3.2	1.2	4.2	12.1	17.3	17.3	19.0	
Outstanding mortgage loans	% YoY	23.0	15.4	13.4	15.4	13.8	22.6	30.6	30.6	32.4	
Funds in escrow accounts	% YoY	105	11.6	35.0	11.6	-7.3	1.3	26.5	26.5	33.7	
Non-financial organisations' outstanding bank loans	% YoY	11.8	11.0	10.0	11.0	8.4	14.2	15.1	15.1		
• Large borrowers	% YoY	9.0	8.0	6.0	8.0	4.9	9.5	8.8	8.8		
• SMEs	% YoY	19.9	18.8	21.3	18.8	17.4	24.8	29.8	29.8		
Companies' price expectations	Balance of responses, SA	28.5	28.6	20.0	22.5	20.8	23.4	30.6	32.6	31.7	30.5
Business Climate Index	SA, pp	6.3	1.0	4.3	2.6	7.8	10.9	7.9	6.9	8.5	11.5
• Current estimates	SA, pp	-0.7	-6.6	-3.8	-5.0	-0.4	5.2	1.9	1.3	1.3	3.6
• Expectations	SA, pp	13.6	8.8	12.8	10.5	16.3	16.7	14.0	12.6	15.9	19.7

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	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	9.2	11.7	13.3	11.7	4.0	3.6	6.7	6.7	7.3	
Core inflation	% YoY	9.1	14.4	16.9	14.4	5.0	2.7	4.9	4.9	5.8	
Industrial production	3MMA, % YoY	5.2	5.5	2.2	11.3	-0.9	6.1	7.5	7.5	5.4	
Fixed capital investment	Cumulative, % YoY	-0.3	5.1	3.4	5.1	23.3	21.3	16.3			
Construction	3MMA, % YoY	6.5	1.9	9.7	3.8	41.1	10.5	0.9	0.9	0.7	
Housing commissioning	3MMA, % YoY	13.8	18.0	3.1	-20.2	-3.3	-11.1	23.1	23.1	10.8	
Retail	3MMA, % YoY	12.0	-2.4	-4.8	-2.9	-0.2	11.6	9.6	9.6	9.9	
Commercial services	3MMA, % YoY	15.1	5.4	5.0	1.8	2.8	3.4	2.7	2.7	2.8	
Real wages	3MMA, % YoY	2.3	-0.9	-2.0	0.8	4.8	10.5	6.9	6.9		
Real disposable income	% YoY	4.1	-0.3	-1.7	4.0	7.1	7.4	5.9			
Unemployment	% SA	7.8	6.4	6.2	6.1	5.7	5.3	5.2	5.2	5.1	
Outstanding consumer loans	% YoY	21.1	3.1	5.7	3.1	5.8	13.7	18.9	18.9	20.2	
Outstanding mortgage loans	% YoY	30.7	24.9	21.1	24.9	25.1	35.4	43.2	43.2	45.0	
Funds in escrow accounts	% YoY	120	25.1	36.1	25.1	18.8	42.2	71.3	71.3	82.7	
Non-financial organisations' outstanding bank loans	% YoY	13.7	27.2	32.8	27.2	28.1	31.1	18.5	18.5		
• Large borrowers	% YoY	8.4	22.6	29.8	22.6	23.0	24.9	7.5	7.5		
• SMEs	% YoY	28.5	38.1	40.2	38.1	39.6	43.3	43.0	43.0		
Companies' price expectations	Balance of responses, SA	20.0	21.5	14.8	18.1	15.7	16.2	22.9	26.6	23.3	19.9
Business Climate Index	SA, pp	5.3	1.6	3.6	3.6	6.0	7.2	5.7	6.2	7.3	7.0
• Current estimates	SA, pp	-1.6	-4.7	-4.1	-3.5	-0.8	2.2	-0.3	-1.0	0.7	0.9
• Expectations	SA, pp	12.3	8.1	11.5	10.9	13.0	12.4	11.9	13.7	14.1	13.3

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

## Core indicators. Ural Main Branch

Table 6

		2021	2022	2022	2022	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	7.7	11.0	12.7	11.0	2.2	2.2	5.0	5.0	5.8	
Core inflation	% YoY	8.2	12.4	15.4	12.4	1.5	1.0	3.2	3.2	4.3	
Industrial production	3MMA, % YoY	4.2	0.0	-0.5	-1.2	-1.4	4.3	2.1	2.1	2.6	
Fixed capital investment	Cumulative, % YoY	0.7	8.7	9.1	8.7	-7.7	1.3	4.1			
Construction	3MMA, % YoY	7.3	-5.1	-5.8	-5.0	4.7	7.0	6.0	6.0	5.0	
Housing commissioning	3MMA, % YoY	12.1	11.2	9.5	-13.2	3.6	13.4	9.6	9.6	-2.7	
Retail	3MMA, % YoY	4.4	-5.1	-7.9	-5.6	-1.3	12.8	13.9	13.9	12.7	
Commercial services	3MMA, % YoY	14.7	2.7	2.4	-0.3	3.1	4.4	4.0	4.0	3.3	
Real wages	3MMA, % YoY	3.4	1.4	2.6	4.1	5.8	13.9	9.5	9.5		
Real disposable income	% YoY	1.0	-0.7	-1.2	1.2	6.9	10.1	7.7			
Unemployment	% SA	4.4	3.3	3.2	3.0	2.8	2.5	2.4	2.4	2.4	
Outstanding consumer loans	% YoY	18.1	1.6	3.5	1.6	4.3	12.1	17.1	17.1	18.6	
Outstanding mortgage loans	% YoY	21.1	16.5	14.0	16.5	15.6	24.8	31.8	31.8	33.2	
Funds in escrow accounts	% YoY	109	21.9	34.9	21.9	3.4	11.1	37.8	37.8	50.2	
Non-financial organisations' outstanding bank loans	% YoY	16.6	17.4	19.0	17.4	13.1	18.4	18.8	18.8		
• Large borrowers	% YoY	15.0	16.0	17.6	16.0	8.9	14.4	14.3	14.3		
• SMEs	% YoY	27.6	25.9	26.9	25.9	38.3	39.0	42.2	42.2		
Companies' price expectations	Balance of responses, SA	22.5	24.2	17.5	18.3	16.1	16.3	21.7	24.5	25.1	23.1
Business Climate Index	SA, pp	6.7	1.8	3.5	4.6	9.1	10.1	10.0	9.7	8.1	11.3
• Current estimates	SA, pp	-0.2	-4.3	-3.5	-2.5	2.0	6.2	6.2	5.8	2.2	4.9
• Expectations	SA, pp	13.9	8.2	10.7	11.9	16.4	14.1	13.8	13.7	14.2	17.9

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	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	9.3	12.7	14.6	12.7	3.4	3.2	6.6	6.6	7.4	
Core inflation	% YoY	9.5	14.2	17.5	14.2	2.6	1.8	4.7	4.7	5.9	
Industrial production	3MMA, % YoY	3.0	1.7	-0.4	-0.2	-2.0	1.5	-1.1	-1.1	-1.1	
Fixed capital investment	Cumulative, % YoY	11.4	5.6	5.8	5.6	7.9	7.9	12.0			
Construction	3MMA, % YoY	14.0	10.5	9.7	10.2	7.3	-1.1	5.0	5.0	0.2	
Housing commissioning	3MMA, % YoY	7.7	3.5	6.2	-39.7	12.0	29.5	3.0	3.0	-7.9	
Retail	3MMA, % YoY	7.1	-2.7	-5.7	-5.5	-3.4	10.7	11.4	11.4	10.9	
Commercial services	3MMA, % YoY	11.8	5.5	5.8	4.4	3.7	5.1	4.0	4.0	3.1	
Real wages	3MMA, % YoY	3.3	1.9	0.8	2.4	4.4	12.7	8.5	8.5		
Real disposable income	% YoY	2.0	-1.1	-2.3	1.0	5.7	10.4	5.6			
Unemployment	% SA	6.1	4.8	4.6	4.3	3.9	3.8	3.6	3.6	3.6	
Outstanding consumer loans	% YoY	20.5	3.7	4.9	3.7	6.2	13.8	17.4	17.4	18.5	
Outstanding mortgage loans	% YoY	25.8	17.3	15.0	17.3	16.2	25.5	32.3	32.3	33.7	
Funds in escrow accounts	% YoY	149	25.0	37.8	25.0	13.6	17.6	52.9	52.9	59.9	
Non-financial organisations' outstanding bank loans	% YoY	5.0	17.0	16.7	17.0	10.9	13.5	24.7	24.7		
• Large borrowers	% YoY	1.4	11.8	12.4	11.8	5.3	5.2	25.8	25.8		
• SMEs	% YoY	18.8	33.8	31.7	33.8	29.5	35.1	21.6	21.6		
Companies' price expectations	Balance of responses, SA	24.0	25.0	17.8	18.7	18.6	19.2	27.3	30.1	30.7	30.1
Business Climate Index	SA, pp	5.9	2.4	5.6	3.8	9.1	13.2	8.8	8.9	9.1	11.3
• Current estimates	SA, pp	-1.6	-5.7	-3.0	-5.7	1.1	6.1	2.3	1.8	1.3	4.1
• Expectations	SA, pp	13.7	10.8	14.7	13.7	17.5	20.5	15.5	16.2	17.3	18.6

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	2023	2023	2023	Sep	Oct	Nov
				Q3	Q4	Q1	Q2	Q3			
Inflation	% YoY	6.7	11.9	12.5	11.9	5.2	4.0	7.1	7.1	7.6	
Core inflation	% YoY	6.7	14.0	15.3	14.0	5.5	3.7	6.5	6.5	7.2	
Industrial production	3MMA, % YoY	3.0	-4.1	-10.4	-3.7	-4.5	5.0	14.0	14.0	10.7	
Fixed capital investment	Cumulative, % YoY	13.8	11.5	3.5	11.5	25.4	23.6	27.9			
Construction	3MMA, % YoY	-0.7	4.7	-3.9	16.9	16.9	18.8	40.8	40.8	35.3	
Housing commissioning	3MMA, % YoY	25.4	13.7	31.8	-6.6	45.1	25.4	10.3	10.3	-6.1	
Retail	3MMA, % YoY	5.6	-0.6	-0.8	-2.8	-2.7	4.5	7.4	7.4	8.5	
Commercial services	3MMA, % YoY	13.2	-0.9	-3.5	-0.3	-2.3	2.3	0.9	0.9	0.5	
Real wages	3MMA, % YoY	4.2	0.1	-3.0	-1.6	1.5	6.2	6.0	6.0		
Real disposable income	% YoY	2.3	-1.0	-3.6	0.2	2.1	5.1	3.6			
Unemployment	% SA	4.6	3.9	3.8	3.4	3.2	3.0	2.8	2.8	2.8	
Outstanding consumer loans	% YoY	17.7	3.7	3.5	3.7	6.4	12.7	15.5	15.5	15.8	
Outstanding mortgage loans	% YoY	32.5	23.3	22.4	23.3	20.2	27.0	31.4	31.4	32.6	
Funds in escrow accounts	% YoY	162	34.0	67.5	34.0	12.9	14.2	28.1	28.1	32.3	
Non-financial organisations' outstanding bank loans	% YoY	18.0	18.9	13.2	18.9	27.3	29.8	30.6	30.6		
• Large borrowers	% YoY	17.0	21.0	12.8	21.0	33.0	34.6	35.8	35.8		
• SMEs	% YoY	21.8	11.0	14.7	11.0	7.6	15.0	11.1	11.1		
Companies' price expectations	Balance of responses, SA	18.8	21.0	15.5	16.6	16.6	16.0	20.6	22.6	22.5	23.1
Business Climate Index	SA, pp	4.7	1.7	4.5	2.6	5.9	8.5	7.1	6.8	8.4	6.4
• Current estimates	SA, pp	-2.4	-4.3	-2.5	-4.6	-1.8	3.5	0.5	0.2	0.9	-1.3
• Expectations	SA, pp	12.1	8.0	11.9	10.2	14.0	13.6	14.0	13.6	16.2	14.4

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