



Bank of Russia



REGIONAL ECONOMY

Commentaries by Bank of Russia Main Branches

No. 2 • February 2021

4 February 2021

This publication 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 North-Western 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: Saint Petersburg. Source: Shutterstock/FOTODOM

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

© Central Bank of the Russian Federation 2021

39
mln
people

MB for Central FD

Belgorod Region
Bryansk Region
Vladimir Region
Voronezh Region
Ivanovo Region
Kaluga Region
Kostroma Region
Kursk Region
Lipetsk Region
Moscow Region
Orel Region
Ryazan Region
Smolensk Region
Tambov Region
Tver Region
Tula Region
Yaroslavl Region
Moscow

14
mln
people

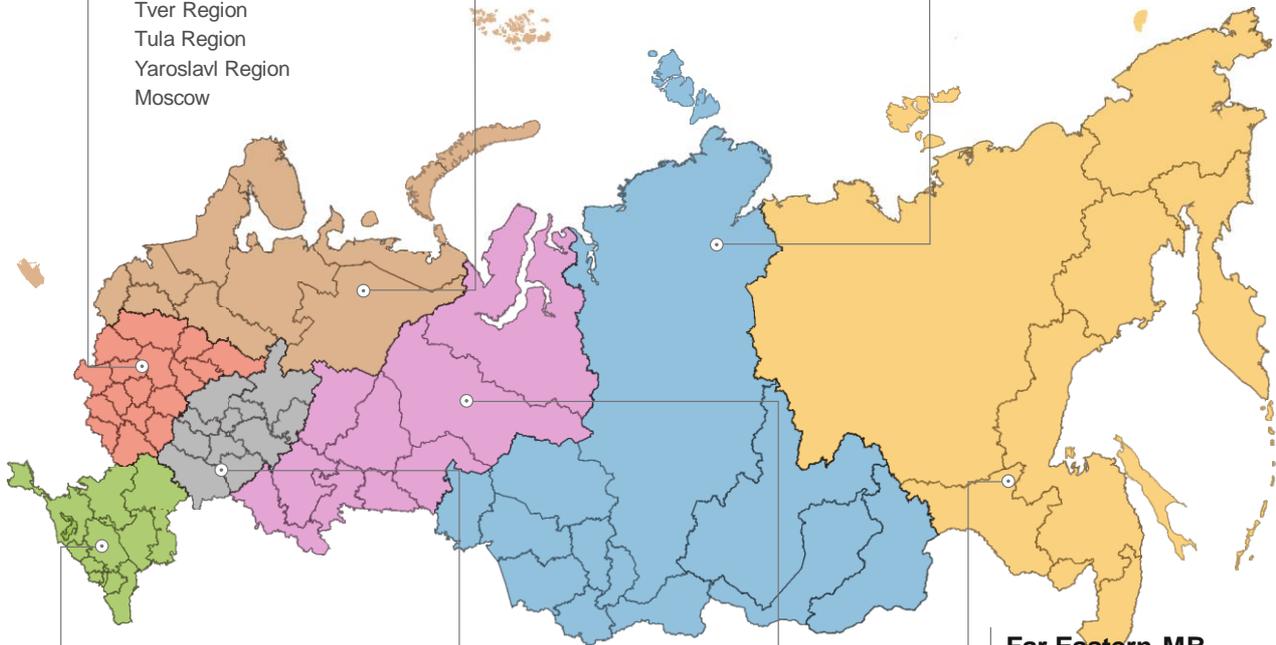
North-Western MB

Republic of Karelia
Republic of Komi
Arkhangelsk Region
Vologda Region
Kaliningrad Region
Leningrad Region
Murmansk Region
Novgorod Region
Pskov Region
Saint Petersburg
Nenets Autonomous Area

19
mln
people

Siberian MB

Altai Republic
Republic of Tyva
Republic of Khakassia
Altai Territory
Krasnoyarsk Territory
Irkutsk Region
Kemerovo Region
Novosibirsk Region
Omsk Region
Tomsk Region
Republic of Buryatia
Zabaikalye Territory



26
mln
people

Southern MB

Republic of Adygea
Republic of Kalmykia
Republic of Crimea
Krasnodar Territory
Astrakhan Region
Volgograd Region
Rostov Region
Sevastopol
Republic of Dagestan
Republic of Ingushetia
Kabardino-Balkar Republic
Karachay-Cherkess Republic
Republic of North Ossetia–Alania
Chechen Republic
Stavropol Territory

21
mln
people

Volga-Vyatka MB

Mari El Republic
Republic of Mordovia
Republic of Tatarstan
Udmurt Republic
Chuvash Republic
Kirov Region
Nizhny Novgorod Region
Penza Region
Samara Region
Saratov Region
Ulyanovsk Region

6
mln
people

Far Eastern MB

Republic of Sakha (Yakutia)
Kamchatka Territory
Primorye Territory
Khabarovsk Territory
Amur Region
Magadan Region
Sakhalin Region
Jewish Autonomous Region
Chukotka Autonomous Area

21
mln
people

Ural MB

Republic of Bashkortostan
Perm Territory
Kurgan Region
Orenburg Region
Sverdlovsk Region
Tyumen Region
Chelyabinsk Region
Khanty-Mansi Autonomous Area
Yamalo-Nenets Autonomous Area

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. Impact of the coronavirus pandemic on regional labour markets	24
Box 2. Housing market and its regional specifics in 2020.....	27
Annex. Core economic indicators	30



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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of approximately 13,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

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

¹ In December 2020, we surveyed 13,154 companies.

RUSSIAN FEDERATION

Overall, **economic activity trended upwards in Russian regions** in December 2020–January 2021. Higher external demand pushed up coal and gas output. Increased domestic demand in construction and engineering contributed to an expansion of output in metallurgy, metal processing, and wood processing. The pharmaceutical and chemical industries demonstrated steady upward trends, including as a result of an increase in coronavirus vaccine production.

Contrastingly, output in fishing contracted, dragged down by anti-pandemic restrictions in Russia's trading partners.

Generally, companies' estimates of business climate and expectations improved.

Consumer activity was up in many regions in the winter. Goods purchases and the domestic tourist flow increased. Low incomes and anti-pandemic restrictions continued to limit demand.

Labour shortage persisted in a number of industries. These are primarily construction, housing and utilities, the agroindustrial complex, and transport services. The shortage of low-skilled workers, including seasonal staff, was caused by the measures restricting the inflow of labour migrants. Amid the resurgence of coronavirus cases, the demand for medical staff remained elevated. In addition, as

individual regions eased their anti-pandemic restrictions, the number of personnel in the service sector also started to restore (see the Box '*Impact of the coronavirus pandemic on regional labour markets*').

Companies' price expectations for the next three months remain elevated. Enterprises in construction, transportation, storage and trade, including retail, accounted for the highest percentage of businesses expecting price growth. According to the majority of respondents, higher costs driven by a weaker ruble and a rise in global and domestic prices for raw materials and components were the major factor pushing prices upwards.

Accommodative monetary conditions supported lending expansion. At the end of 2020, corporate lending generally maintained an upward trend. In 2021, the reduction in the maximum interest rate on preferential loans will be an additional contributor to an increase in lending to small and medium-sized enterprises (SMEs). Mortgage lending, including under preferential programmes, remained the major contributor to retail lending growth. Its rate started to gradually go down as a result of the extension of the Government's preferential programme and a rise in housing prices (see the Box '*Housing market and its regional specifics in 2020*').

In December 2020–January 2021, economic activity revived in many Russian regions owing to a rebound in a whole range of mining and manufacturing industries. Anti-pandemic restrictions continued to limit supply, and demand was dragged down due to households' low incomes. Companies, including retailers, mostly raised their price expectations, first and foremost because of the pressure put by increased costs. Accommodative monetary conditions continue to support production and consumer activity.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

The commissioning of new capacities, the development of import substitution, and government support measures contributed to the recovery of manufacturing. The revival in the consumer sector in December, on the eve of the New Year, was substantial, pushing demand upwards. Corporate and retail lending growth exceeded the country-wide rate.

NORTH-WESTERN MAIN BRANCH

The pharmaceutical industry continued to expand output and launched coronavirus vaccine supplies. As consumer activity bounced back in late 2020–early 2021, trade companies' expectations turned positive. An inflow of Russian tourists to a number of regions resulted in a partial recovery of this industry and improved market participants' expectations.

VOLGA-VYATKA MAIN BRANCH

Food manufacturers expanded output, and auto groups revised their output plans owing to new orders. Service companies were restoring staff numbers. A shortage of workers persisted in construction and healthcare. According to companies' estimates, bank lending terms remained stable. Price expectations in trade stayed high predominantly due to increased costs.

SOUTHERN MAIN BRANCH

Economic activity continued to bounce back, including owing to the expanded tourist flow amid the increased demand for holidays in this macro-region. The percentage of companies planning to raise prices in the coming months trended downwards. SME lending increased as banks expanded their lending programmes. Retail lending growth slowed down amid a rise in households' debt burden. Construction, the agroindustrial complex, and healthcare continued to face staff shortages.

URAL MAIN BRANCH

Production activity restored most significantly in metallurgy. Oil and gas companies' sentiment improved, and they are planning to implement a range of new projects. Consumer activity revived at the end of the year. Developers and companies implementing long-term investment projects increased the demand for bank loans.

SIBERIAN MAIN BRANCH

There was a temporary increase in the demand for household appliances, electronics, household goods, and sanatorium and health services. According to companies in coal production, wood processing and metallurgy, the economic environment improved, with demand rising in both the domestic and external markets, which supported the expansion of investment programmes in these industries.

FAR EASTERN MAIN BRANCH

The recovery of consumer activity discontinued in both retail and services. The situation in external markets had a significant effect on the economy, with growing demand supporting the mining and quarrying industry. However, the restrictions in trade with China entailed a shrinkage in fishing output and disruptions in vegetable supplies.

CORE ECONOMIC INDICATORS

		Date	Russia	MB for Central FD	North-Western MB	Volga-Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2020	100	33	11	12	15	13	11	5
Inflation	% YoY	Dec20	4.9	4.7	4.8	5.5	5.4	4.4	4.9	5.0
Core inflation	% YoY	Dec20	4.2	4.2	4.0	4.7	4.2	4.0	4.4	3.9
Industrial production	% YoY	Dec20	-0.2	15.5	0.8	-1.4	2.4	-1.2	-3.6	-1.7
Fixed capital investment	Cumulative, % YoY	2020 Q3	-4.1	0.2	-3.3	-6.9	5.4	4.3	-0.6	-9.8
Construction	3MMA, % YoY	Nov20	1.5	5.7	-24.4	-14.4	7.9	-3.0	-8.0	-6.7
Housing commissioning	3MMA, % YoY	Dec20	-1.4	23.6	-3.3	-18.1	-0.9	-7.5	-8.5	-3.1
Retail	% YoY	Nov20	-3.1	-1.8	-0.2	-5.1	0.2	-5.4	-5.8	-0.9
Commercial services	% YoY	Dec20	-12.5	-20.2	-11.7	-6.8	-1.6	-8.9	-8.9	-14.3
Real wages	% YoY	Nov20	0.2	1.7	-1.8	-0.2	-0.5	-0.6	-0.3	-1.1
Real disposable income	% YoY	2020 Q3	-4.3	-2.8	-2.9	-4.2	-0.7	-6.3	-3.2	-3.7
Outstanding consumer loans ²	% YoY	Dec20	7.5	6.0	7.4	7.5	7.7	8.2	9.3	9.2
Outstanding mortgage loans	% YoY	Dec20	21.2	23.9	21.3	19.3	23.4	17.4	18.8	24.2
Non-financial organisations' outstanding bank loans	% YoY	Nov20	10.4	14.0	7.0	1.3	3.2	4.6	8.4	19.9
• Large borrowers	% YoY	Nov20	8.9	14.2	0.5	-4.4	0.2	2.1	5.9	18.2
• SMEs	% YoY	Nov20	19.6	12.8	47.8	21.3	13.8	23.9	19.2	26.3
Companies' price expectations ³	Balance of responses, SA	Jan21	18.3	23.0	18.2	21.0	14.0	18.6	14.8	18.3
Business Climate Index	pp YoY	Dec20	-3.2	-3.4	-4.2	-1.8	-4.6	-2.0	-2.2	-3.4
• Current estimates	pp YoY	Dec20	-2.6	-5.1	-3.6	0.5	-3.4	0.0	0.8	-4.7
• Expectations	pp YoY	Dec20	-3.9	-1.8	-4.8	-3.9	-5.7	-4.0	-5.0	-2.1

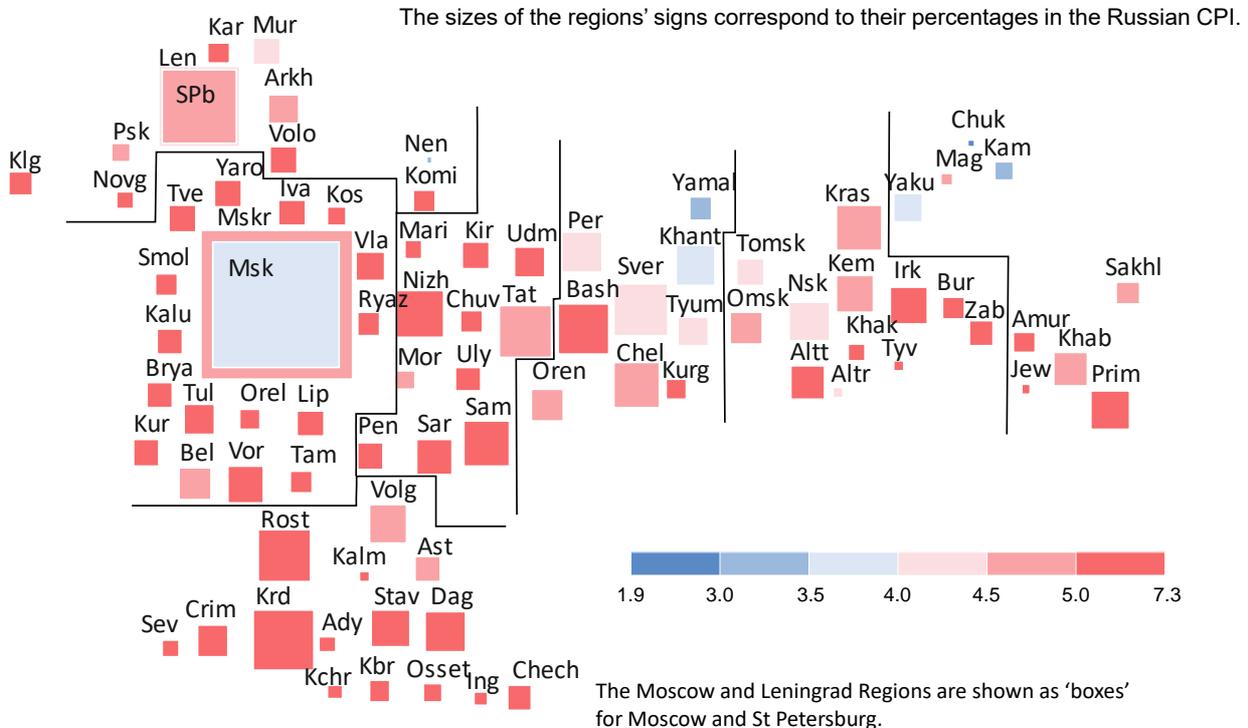
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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

³ The balance of responses is the difference between the percentages of responses 'will increase' and 'will decrease' to the question about expectations regarding prices in the next three months. Companies' price expectations and the Business Climate Index are based on the monitoring of businesses carried out by the Bank of Russia.

INFLATION IN RUSSIAN REGIONS

Price growth in December 2020, % on the same month last year



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

Source: Rosstat.

Ady	Republic of Adygeya	Kos	Kostroma Region	Sam	Samara Region
Altt	Altai Territory	Kras	Krasnoyarsk Territory	Sar	Saratov Region
Altr	Altai Republic	Krd	Krasnodar Territory	Sakhl	Sakhalin Region
Amur	Amur Region	Crim	Republic of Crimea	Sver	Sverdlovsk Region
Arkh	Arkhangelsk Region (excluding Autonomous Areas)	Kursk	Kursk Region	Sev	Sevastopol
Ast	Astrakhan Region	Kurg	Kurgan Region	Smol	Smolensk Region
Bash	Republic of Bashkortostan	Kchr	Karachay-Cherkess Republic	SPb	Saint Petersburg
Bel	Belgorod Region	Len	Leningrad Region	Stav	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	Mari	Mari El Republic	Tve	Tver Region
Volg	Volgograd Region	Msk	Moscow Region	Tomsk	Tomsk Region
Volo	Vologda Region	Mor	Republic of Mordovia	Tul	Tula Region
Vor	Voronezh Region	Msk	Moscow	Tyv	Republic of Tyva
Dag	Republic of Dagestan	Mur	Murmansk Region	Tyum	Tyumen Region (excluding Autonomous Areas)
Jew	Jewish Autonomous Region	Nen	Nenets Autonomous Area	Udm	Udmurt Republic
Zab	Zabaikalye Territory	Nizh	Nizhny Novgorod Region	Uly	Ulyanovsk Region
Iva	Ivanovo Region	Novg	Novgorod Region	Khab	Khabarovsk Territory
Ing	Republic of Ingushetia	Nsk	Novosibirsk Region	Khak	Republic of Khakassia
Irk	Irkutsk Region	Omsk	Omsk Region	Khant	Khanty-Mansi Autonomous Area – Yugra
Kalm	Republic of Kalmykia	Oren	Orenburg Region	Chel	Chelyabinsk Region
Kalu	Kaluga Region	Orel	Orel Region	Chech	Chechen Republic
Kam	Kamchatka Territory	Osset	Republic of North Ossetia–Alania	Chuv	Chuvash Republic
Kar	Republic of Karelia	Pen	Penza Region	Chuk	Chukotka Autonomous Area
Kbr	Kabardino-Balkar Republic	Per	Perm Territory	Yaku	Republic of Sakha (Yakutia)
Kem	Kemerovo Region – Kuzbass	Prim	Primorye Territory	Yamal	Yamalo-Nenets Autonomous Area
Kir	Kirov Region	Psk	Pskov Region	Yaro	Yaroslavl Region
Klg	Kaliningrad Region	Rost	Rostov Region		
Komi	Republic of Komi	Ryaz	Ryazan Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



After the decline in October–November, consumer demand revived somewhat in December 2020. In January 2021, after the end of the New Year holidays, consumer activity was bouncing back gradually. Consumption was supported by expanded lending. As deposit rates remain low, households continue to invest in real estate. The recovery of manufacturing in the macro-region sped up at the end of 2020.

CONSUMPTION AND INCOMES

The revival of consumer activity after a prolonged decline was most significant in Moscow and a number of tourism regions in Central Russia. During the holiday New Year's Capital of Russia 2021, the hotel occupancy rate in Kaluga reached up to 100%. Consumption was supported by a decrease in expenses for foreign travels and lending expansion. Incomes keep declining as the effect of budget-funded support measures of the pandemic period tapers off, economic activity trends downwards in a range of industries, and wage indexation in the public sector is lower than in 2019.

A decrease in shopping mall traffic was offset by a rise in online and small-scale wholesale trade. As households' spending in public catering declined (the number of restaurants closed in the centre of Moscow over 2020 was 35% higher than over the previous year), this supported the demand for food products during the New Year holidays. Due to decreased incomes, consumers shifted from mid-price chain stores to the economy class and the unorganised retail segment. Further on, the recovery of consumer demand will largely depend on the efficiency of vaccination.

PRICES

In December 2020, seasonally adjusted inflation continued to rise, pushed upwards by the earlier weakening of the ruble and the

growth of prices for agricultural products in global markets amid low harvests of a number of crops in the country. Nonetheless, annual inflation in the macro-region remains below the country-wide level, owing to high competition, administrative limits on the rise in housing and utility rates, and low demand in the inbound tourism sector.

According to monitoring, the central macro-region raised its price expectations in January 2021 more significantly than Russia in general. Price expectations increased the most in agriculture, transportation and storage. For the first time since March, over one-half of enterprises in the real sector are going to raise prices for products and services by more than 4%.

As before, companies primarily explain higher price expectations by changes in input prices (for raw materials and components). Moreover, the cost of fuels and lubricants became a stronger proinflationary factor.

MONETARY CONDITIONS AND BANKING SECTOR

Corporate and retail lending growth in the Central Federal District remains above Russian averages. In December, the percentage of companies recording an improvement in lending conditions was higher than across the country in general. State support mechanisms continue to be enhanced. Specifically, banks have already started in 2021

to grant preferential loans to SMEs with the threshold interest rate decreased from 8.5% to 7.0%.

As the competition for reliable borrowers was up in late 2020, banks cut interest rates on household loans and increased loan limits and maturities for payroll project clients. As the six-month loan repayment holidays ended for a part of households, borrowers' credit quality in the macro-region deteriorated in December. Striving to lower risks, banks reduced credit card limits. According to credit history bureaus' estimates, a decrease in borrowers' credit ratings was less typical of the Moscow Region. Banks expect the demand for corporate loans to remain at the current level and that for retail loans to edge down in February–March.

LABOUR MARKET

Overall, unemployment in the macro-region decreased in October–December. The earlier rise in unemployment started to go down in one-half of the regions, including Moscow and the Moscow Region, and by the end of the year the trend began to improve.

Due to the resurgence of coronavirus cases, the demand for medical staff remained elevated. The effective measures limiting the inflow of labour migrants are exacerbating staff shortages in construction, agriculture, and trade.

There was a slowdown in intra-regional migration, including in the Moscow Region which recorded the highest increase in coronavirus cases. The number of vacant low-skilled jobs rose, specifically in the housing and utility sector lacking staff to clean roads and building surrounding grounds during the winter period.

MANUFACTURING

The growth of manufacturing output in the macro-region sped up in November 2020, largely driven by the commissioning of new more efficient machinery at the Moscow Oil Refinery that almost doubled its output over the last twelve months. Furthermore,

the measures to encourage investment and tax privileges implemented by the Government of Moscow also became important factors. As of the end of the year, aid was granted to 58 industrial complexes, 36 technology parks, and 15 anchor residents.

Amid the worsening epidemic situation, the main drivers in the Tver Region in November 2020 were enterprises manufacturing medical products under large state orders. In particular, 39 enterprises in the region switched to the manufacture of personal protective equipment and were granted over 1.2 billion rubles from Russia's Industrial Development Fund. The macro-region's textile and clothing output expanded by nearly one-third.

HOUSEHOLDS' SAVINGS

Returns on deposits remained quite low in December, despite special offerings in the short-term segment on the eve of the New Year. As usual, owing to bonuses and benefits paid at the end of the year, the macro-region's households increased the inflow of funds to their bank accounts.

According to experts, major banks will compete for customer funds in 2021, offering attractive terms for savings accounts, investment and mortgage products. Realtors assume that households will continue to invest their funds in real estate amid persistently low deposit rates and the introduction of deposit income tax.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the North-West revived somewhat in December, after its slowdown in the previous period. Trade companies and travel agencies are increasingly more positive about further economic prospects. The growth rate of housing purchases under the preferential mortgage lending programme edged down slightly. As the demand for chemicals and pharmaceuticals remained elevated, enterprises were expanding their output. Companies raised their price expectations predominantly due to higher input prices.

CONSUMPTION AND INCOMES

Consumer activity in the macro-region bounced back slightly beginning from the middle of December, after November's decline caused by the re-introduction of anti-pandemic restrictions in a number of regions of this federal district.

Nonetheless, shopping mall traffic in Saint Petersburg in December was below its 2019 level by nearly one-third, while slightly bouncing back in January and during the New Year holidays, specifically to 75% of the early 2020 rate.

Due to the measures limiting the operation of cafés and restaurants, theatres and museums, as well as because of cautiousness, people preferred to spend time outdoors, which boosted the demand for winter sports goods.

Households' incomes also hindered demand. One-half of surveyed companies did not raise wages to their employees in 2020.

In January, a range of the macro-region's territories started to partially cancel restrictions. This improved expectations in trade, as well as in services, although to a slightly less extent.

PRICES

Annual inflation in the macro-region rose to 4.8% in December. Monthly price growth (seasonally adjusted) also sped up in December, primarily driven by the reduced supply of certain fruits and vegetables and the earlier weakening of the ruble.

The macro-region's companies slightly lowered their price expectations in January. However, one-fourth of respondents reported a potential rise in output prices in the next three months.

Among the main industries, price expectations increased most significantly in construction, which is evidence of the persistently high demand for real estate.

MONETARY CONDITIONS AND BANKING SECTOR

Corporate lending continued to expand. Nonetheless, according to the survey in January, the percentage of companies recording an improvement of lending conditions edged down somewhat.

A number of small businesses fear that they will lack funds to service the loans they received after the budget-funded support measures are terminated.

Amid the extension of the preferential lending programme, on the one hand, and a rise in housing prices, on the other hand, the growth of mortgage lending slowed down slightly. In 2021, banks and industry analysts expect mortgage lending to expand moderately, including because demand was realised to a significant extent back in 2020.

CHEMICAL AND PHARMACEUTICAL INDUSTRY

Output in the pharmaceutical and chemical industries expanded in the macro-region, just as across Russia in general.

On the back of the worsening epidemic situation, the output of medicines increased in November, primarily driven by their higher output in Saint Petersburg.

In December, a large biotechnological company in Saint Petersburg started coronavirus vaccine supplies. In addition, the city launched the first stage of a plant focusing on the manufacture of active pharmaceutical substances never produced before in Russia, as well as anti-coronavirus medicines. The commissioning of the next stage of the plant is scheduled for 2021. The new facilities will enable Russia to establish an imports-independent complete cycle for manufacturing medicines, including those to combat the coronavirus.

In January, over one-fourth of chemical producers noted a revival of demand and improved their short-term expectations. A large number of enterprises in this industry are not revising their investment plans. A major producer is going to build a complex to manufacture ammonia and carbamide in the Novgorod Region.

TRADE AND SERVICES

According to surveys, trade and service companies were mostly negative in January estimating current demand.

The pandemic continued to substantially affect cultural institutions' operation, with the value of their services in November 2020 decreasing by nearly two-thirds year-on-year. During the New Year holidays, cinema attendance in Saint Petersburg plummeted by 60% as compared to the previous year.

Of all trade companies in Saint Petersburg, street retail was most sensitive. As of the end of the year, the number of closed stores in the city exceeded that of newly opened ones. The number of new cafés and restaurants was one-third lower than a year before. At the same time,

rental rates started to edge down already in autumn, as a result of which, as lessees changed, the number of vacant commercial spaces decreased as of the end of the year.

Approximately one-fourth of surveyed trade companies preserved their investment plans. According to a large food retailer of the North-West, it opened two new supermarkets in 2020. A number of regions recorded an expansion of the presence of food and construction material store chains and pharmacies, and an opening of new shopping malls.

TOURISM

The macro-region's tourism industry, which is one of the hardest hit by the pandemic, was supported by increased domestic demand during the New Year holidays. At the beginning of January, tourist flows in the Republic of Karelia, the Kaliningrad and Pskov Regions significantly exceeded the previous year's levels (e.g. the attendance of the Kurshskaya Kosa National Park almost doubled during this period). The Leningrad Region recorded a rise in the demand for recreation centres. However, as estimated by industry experts, the number of tourists to Saint Petersburg during the New Year holidays was as little as 10–15% year-on-year because of the effective restrictions.

Seeking to attract more tourists, a range of regions are developing new domestic tourism options, including package tours.

Moreover, travel agencies are becoming increasingly more optimistic, with a growing percentage of businesses expecting a rise in the demand for services, including during the long weekends in February and March.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



Economic activity continued to bounce back in the macro-region at the end of 2020. Output expanded, driven by upward trends in key industries. Consumer activity edged down slightly, yet this decline was temporary, as evidenced by high-frequency indicators and survey results obtained in December–January. Companies are still predominantly negative about the economic environment, yet their expectations improved in January. As the epidemic situation stabilised, the number of companies facing hardships due to the pandemic significantly decreased.

CONSUMPTION AND INCOMES

Retail declined in November more significantly as compared to the country-wide level, while in December retailers recorded recovery growth. Large banks' up-to-date figures also confirm a revival in consumer activity at the end of the year.

Nonetheless, surveyed trade companies complained about decreased sales and a reduction in households' New Year spending in December versus 2019. According to retailers' representatives, consumers tended to purchase cheaper and more practical presents, as compared to previous years. Expenses for New Year's corporate parties also lowered due to the effective restrictions.

Wage growth was low, hindering consumption recovery. Nearly one-half of surveyed companies did not raise labour remuneration in 2020, and almost one-third of them are currently planning no increases for 2021 either.

PRICES

Inflation remains elevated in the macro-region. Monthly price growth (seasonally adjusted) significantly exceeded 4.0% in December, and annual inflation sped up to 5.5%.

This surge was primarily driven by an increase in food manufacturers' costs and the introduction of restrictions on tomato imports from Azerbaijan. Almost one-half of surveyed

retailers also complained about higher costs reaching the multi-year maximum.

Due to the above, the price expectations of the macro-region's retailers remained increased in January.

MONETARY CONDITIONS AND BANKING SECTOR

At the end of the year, retail lending was impacted by a gradual slowdown in the demand for mortgage loans. Amid the recovery in consumer lending, the annual growth of outstanding loans and new disbursements to households trended downwards for the first time over the six months.

The corporate portfolio expanded faster in November. According to surveys, corporate lending terms changed only slightly over the last several months.

LABOUR MARKET

The situation in the regional labour market is gradually stabilising, which is evidenced by a surge in employers' demand for workers. The enterprises that had to reduce their headcount in 2020 H1 are now progressively restoring their staff sizes. Businesses altered their staff policy, including owing to the stage-by-stage easing of restrictions, namely the reopening of sanatorium-and-spa resorts and cultural institutions and the permission to hold

public events. Furthermore, despite moderate demand, a shortage of staff in trade was more significant in the macro-region than across Russia in general.

Construction enterprises continue to complain about staff shortages due to an insufficient number of labour migrants from CIS countries. The shortage of low-skilled workers forces construction companies to raise wages in order to hire employees.

AUTOMOBILE INDUSTRY

At the end of the year, output in the macro-region's auto industry continued to expand in annualised terms, which was in line with the country-wide trend. Moreover, the annual rise in the sales of motor vehicles manufactured in the region also remained positive, despite the negative trend in the market in general. The macro-region's leading auto group revised its production plans for early 2021 and postponed the adoption of a reduced work week. This decision was driven by both a deficit that emerged in retail amid an increase in households' demand and a new state order for the healthcare system. A truck manufacturer also reported that it suspended a regular part of its employees' leaves in January because of new orders received.

Despite the above, companies' expectations about sales in 2021 remain moderate. As the market in general, the macro-region's producers do not forecast demand returning to its 2019 level. According to a number of auto groups in the Volga-Vyatka macro-region, sales dynamics will largely depend on the scale of government support granted to the industry. A car manufacturer considers preferential car lending to be the most important state support measure, while a commercial vehicle manufacturer believes that state procurements are the most critical factor due to weak demand in the private sector.

FOOD PRODUCTION

At the end of the year, the macro-region's producers continued to expand their output.

Eventually, in contrast to Russia in general, food output in the Volga-Vyatka macro-region exceeded the levels recorded in March 2020. Among other factors, this trend was driven by high global prices for sunflower oil, since revenues from its exports traditionally account for a large portion of local enterprises' profit.

Another contributor to the expansion of the macro-region's food output was investment in both existing production capacities and new projects. The largest turkey producer in the Volga-Vyatka macro-region reported a large number of production facilities commissioned in 2020. As a result of these investments, the company was able to significantly increase its exports, one-half of which was to Southeast Asia.

Food output in the macro-region was also supported by the existing preferential lending programmes launched to aid local enterprises. These measures helped reduce costs for current operations and upgrade the existing production facilities.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



The macro-region's pace of economic revival in December remained almost the same as in November. As there are no new anti-coronavirus restrictions and mass vaccination has started, output and demand in a range of industries are expected to increase somewhat. The number of companies planning to raise their output prices for goods and services lowered in the majority of key industries. Contrastingly, the portion of such enterprises in construction, transportation and storage, and a number of manufacturing sectors slightly increased. This was mainly caused by higher prices for raw materials, components, and equipment.

CONSUMPTION AND INCOMES

According to high-frequency indicators, households' spending in December was growing more steadily in the macro-region as compared to the country-wide average. Consumers opted for online channels, seeking to reduce their traditional offline purchases of presents on the eve of the New Year amid the complicated epidemic situation. Small retailers note that by the end of the year more households of the Southern macro-region switched to cashless payments.

In addition to a predictable increase in tourism services, the macro-region also recorded a rise in spending in related consumption categories, including car sharing, motor fuel, and goods for the journey. Food retailers are adjusting their business to changes in the consumer behaviour model. A large federal chain launched a new format of ultra-small stores with a short list of products to expand consumer audience. Their basic product range comprises ready-to-eat and convenience food. The pilot project started in the Krasnodar Territory and is also planned to be launched in other Russian regions.

The entertainment and public catering industries are still subject to restrictions. Nonetheless, as they are progressively eased, this is improving the situation in commercial services. However, consumer activity

is expected to fully recover no earlier than in 2021 H2.

The labour market continues to experience a shortage of staff, including of low-skilled workers in construction, taxi services, and the agroindustrial complex and of specialists in socially important professions (medical staff and teachers). Industries' payroll is gradually returning to pre-crisis levels.

PRICES

The macro-region's annual price growth in December sped up to 5.4%, to exceed the country-wide rate. Due to a reduced harvest, potato prices were a major contributor to inflation acceleration. As costs for imported seeds and equipment, as well as electric power and heating increased, prices for greenhouse products also rose. In monthly terms, seasonally adjusted price growth slightly slowed down.

In December, prices for national cheese and brynza edged up in two regions, which was driven by an increase in external demand as a result of manufacturers' participation in a regional brand competition.

According to survey findings, the percentage of companies expecting product and service prices to grow edged down somewhat.

MONETARY CONDITIONS AND BANKING SECTOR

Corporate lending growth in the macro-region was moderate as banks set strict requirements for large borrowers' financial standing. Conversely, the SME loan portfolio was expanding faster. A number of regions in the North Caucasian Federal District resumed investment lending to agricultural enterprises in order to develop crop production.

Mortgage lending continued to surge, while its growth rate is going down somewhat. This is because the effect of elevated demand under the preferential mortgage lending programme is being gradually exhausted. Consumer lending growth was also moderate in November. Amid the uncertainty about further economic development, households tend not to return to the borrowing level observed before the restrictions, and banks are still cautious in selecting borrowers due to an increase in households' debt burden. According to banks, an easing of bank lending conditions in the next six months will largely depend on an economic rebound and the epidemic situation normalisation.

TOURISM

The macro-region's mountain and submountain areas enjoyed increased demand during the New Year holidays, with the tourist flow there exceeding its 2019 level despite the existing restrictions. Specifically, the number of guests who attended the Krasnaya Polyana Resort in Sochi during the New Year holidays was 20% higher than in the previous year, and the number of visitors at the Elbrus, Arkhyz and Veduchi Resorts was 26% higher. During the New Year holidays, the Sochi International Airport provided services to nearly the same number of passengers as over the Olympic Games period. This upward trend was mainly driven by the effective restrictions on international flights and foreign travels, as well as the government programme offering a partial refund of tour costs. The macro-region's tourism industry is expected to fully return to its

pre-crisis state in 2021, provided the epidemic situation is favourable.

FOREIGN TRADE

Amid the contracted exports of fuel and energy commodities and chemicals, the south of Russia significantly expanded the supplies of raw agricultural commodities and food products. The drought in a large number of agrarian regions worldwide amid Russia's rich harvest encouraged an increase in grains, sunflower seeds and vegetable oil exports to Middle Eastern and Transcaucasian countries. The surveyed port operators of the macro-region complained about an increase in bulk cargo and container transshipment periods associated with anti-pandemic measures, yet remained optimistic about this year's prospects of freight turnover growth, with the majority of them continuing to implement their investment projects.

The largest port operator in the south of Russia continued to invest in its project for the comprehensive reconstruction of the seaport harbour which is strategically important for its further development, despite a slump in its freight turnover and net profit.

BANK OF RUSSIA URAL MAIN BRANCH



The macro-region's companies were still predominantly pessimistic in December estimating the economic environment. Demand was expected to slightly edge up in the oil and gas sector and metallurgy. According to trade companies, the revival of consumer and business activity at the end of the year was only temporary. Companies raised their price expectations due to higher costs. As of the end of 2020, the consequences of quarantine restrictions worldwide entailed a surge in rolled metal prices, which also pushed up prices in Russia's domestic market.

CONSUMPTION AND INCOMES

Overall, the macro-region recorded no significant rise in consumer activity in December. Despite an increase in wages, the rebound of income dynamics is slow.

According to retailers, households still tend to purchase predominantly basic goods, opting for cheaper products. Consumer demand revived somewhat only by the end of the year, owing to sales within promotion campaigns. The increased demand for goods was driven by a slight improvement of households' sentiment during the New Year period and their expectations for the coming holidays.

Consumers' self-isolation accelerated food retailers' migration to the online segment. In particular, the Republic of Bashkortostan implemented measures promoting goods at marketplaces within the SME support programme, and online sales there expanded 3.7 times over 2020.

The recovery in commercial services is slow. According to estimates by transportation companies, restaurants, travel agencies, cultural, entertainment and sports institutions, the improvement of the situation was minor and only temporary. Nonetheless, as a result of the measures implemented to develop inbound tourism, the Tyumen Region became one of the most popular destinations chosen by Russians to book tours to.

PRICES

Annual inflation in the Urals sped up in December due to the situation in individual product markets and the earlier weakening of the ruble. Price growth rates remained below the country-wide level because the macro-region's trade and logistics network infrastructure for goods supplies is more mature than on average in Russia and the Middle and Southern Urals have a high level of self-sufficiency for basic goods (meat, eggs and vegetables).

In December, price expectations continued to rise in production, construction, transportation and storage, primarily driven by higher costs and risks in current operations. Nevertheless, as demand bounces back slowly, trade companies expect product prices to edge up slightly in the future owing to business process optimisation and negotiations with suppliers.

MONETARY CONDITIONS AND BANKING SECTOR

Banks note an easing of monetary conditions owing to a decrease in interest rates. Banks expect households' demand for loans to rise. Surveyed companies' estimates of monetary conditions improved as compared to autumn. However, as non-price conditions remained tight in 2020 Q4 according to their opinion, large industrial enterprises continued to reduce their debt to banks using alternative sources of borrowing (bonds and government support).

An increase in borrowings is recorded mostly among developers and enterprises implementing investment projects. Lending growth is still predominantly driven by mortgage loans, yet the number of mortgage loan applications started to go down amid growing housing prices.

OIL AND GAS SECTOR

The growth of oil prices and the OPEC+ countries' decisions (Russia will be able to expand its oil production by 65,000 barrels per day in both February and March 2021) improved oil and gas companies' expectations regarding output and demand for the next three months. According to estimates, oil output in the Khanty-Mansi Autonomous Area of the Tyumen Region (over 40% of Russia's oil output) is expected to reach nearly 210 million tons in 2021, which is close to the 2020 level. The rise in oil output became possible owing to special tax treatment and targeted administrative measures. Yamal is going to expand output in the Bovanenkovo cluster and start the construction of new gas processing and gas chemical complexes. Furthermore, within the completion of the first stage of the development of the North-Komsomolskoye field in 2020, Yamal also accomplished the site preparation of nine production infrastructure facilities. Contrastingly, the Republic of Bashkortostan and the Perm Territory are not going to expand oil production, but are planning to focus on the development of refining.

METALLURGY AND METAL PROCESSING

As the demand for metal products bounced back, this pushed upwards Ural metallurgical enterprises' output and supplies. Companies in this industry reported a sufficient number of orders from construction and quarry machinery manufacturers and shipbuilders. The demand for metal products is expected to increase owing to the implementation of large projects for gas infrastructure development in Russian regions, the renewal of storage facilities at the fuel and energy complex, and the construction

of the Power of Siberia-2 pipeline. One of the enterprises supplied a large volume of rolled metal for a gold deposit development project. At the same time, prices for rolled metal soared in the domestic market, driven by favourable price movements in the external market and a global supply shortage that emerged. Market participants complained about the actual rise in costs for raw materials (ore and waste metal) and conversion costs (plates and pipes). As forecast by metallurgical companies, prices may stay at the current level until the end of 2021 Q1 since a large number of manufacturers worldwide have a reduced level of inventories. Nonetheless, enterprises expect the demand for their products to trend downwards because oil and gas companies are cutting their investment programmes and, accordingly, cancelling their orders under contracts. A large number of metal processing companies are switching to order-based operations, opting not to accumulate finished product inventories. Over the year, several large traders exited the metallurgical market, and its participants expect its further consolidation and a tightening of competition for buyers.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In December 2020–January 2021, economic activity in Siberia was reviving more steadily. Siberia recorded a rise in the demand and prices for its key exports (coal, metals, and wood processing products), their output and sales. Power consumption exceeded its December 2019 readings. At the end of 2020, Siberian enterprises concluded a range of large long-term contracts securing a stable utilisation of their capacities. Economic trends are supported by an increase in agricultural output and housing commissioning. Consumer activity on the eve of the New Year was lower in December as compared to previous years. This was associated with the remaining restrictions in public catering and entertainment and changes in consumer behaviour caused by the pandemic.

CONSUMPTION AND INCOMES

As usual, demand trended upwards in December, while not reaching its previous years' levels. A rise in consumer activity was only recorded over the second fortnight of December.

Sanatoriums' and tourist centres' representatives reported a rather high occupancy during the New Year holidays. As there was no pre-booking, companies had to urgently settle catering and staff number issues, which increased their costs.

Household appliances and electronics retailers recorded a rise in demand at the end of the year. An international household goods company's customers faced a shortage of low-price products. The demand for child products remained at the 2019 level. A slight revival was recorded in public catering.

The sales of fast-moving consumer goods bounced back slowly. While the average purchase amount in food retail rose somewhat, the number of visits to shops decreased.

The majority of companies from various industries reported that they were not planning to raise wages in 2021.

PRICES

Inflation in Siberia sped up to 4.9% in December, largely driven by product prices. A rise in egg prices was caused by an increase

in prices for imported feed and feed additives. Bread, oil and sugar prices stabilised. Sugar and sunflower oil manufacturers limited wholesale due to the fixing of retail prices, expecting government support. Public catering companies are seeking to contain ready meal prices by using cheaper ingredients.

Case furniture manufacturers recorded a rise in prices in December amid a shortage of furniture boards and high demand.

Companies continued to raise their price expectations for the next three months, especially in trade and construction. Over one-fourth of enterprises reported a more frequent revision of prices depending on demand.

MONETARY CONDITIONS AND BANKING SECTOR

Lending expansion was driven by accommodative monetary conditions and preferential programmes.

Credit activity in construction remained high in December. Banks recorded a rise in SMEs' demand for loans, promoted, among other factors, by changes in preferential lending terms since 2021 (the maximum interest rate was reduced from 8.5% to 7.0%).

Consumer lending growth slowed down. Banks reported a decrease in the percentage of car and unsecured loan approvals.

The rise in mortgage lending remained considerably higher than in 2019 owing to preferential lending programmes, yet the demand had probably already passed its growth peak.

In November–December 2020, the decline in deposits observed over the four consecutive months reversed to a slight increase. Seeking to attract depositors, banks offered products with more flexible conditions (with interest payment in advance, etc.) and seasonal deposits.

COAL MINING

In December 2020–January 2021, the majority of coal mining companies recorded an improved market environment, with both domestic and external demand rising for almost all coal types. According to enterprises, demand and prices may stay high for several months.

Steam and metallurgical coal producers also reported an increase in exports and expansion into new target markets. Anthracite producers also have ambitious plans to expand output by 35% in 2021.

The low temperatures of the autumn and winter period are also favourable for coal sales in the domestic market. Two steam coal suppliers recorded an increase in supplies for thermal power stations and sales to households (by one-fourth in December).

Every third enterprise is going to expand investments.

WOOD PROCESSING

The majority of companies in the industry continued to operate steadily, with their output, demand and exports not decreasing, but even growing in a number of segments.

Two large integrated pulp and paper producers recorded an increase in output and sales, including owing to a fast rise in the packaging segment. One of them reported large pulp and cardboard supplies to China.

A wood board producer recorded an increase in demand, which enabled it to reach pre-crisis

volumes. The output of medium density fibreboards expanded, with demand for them rising 2.5 times.

A manufacturer of lumber, which is mostly exported, recorded an improvement of the market environment, with demand bouncing back and furniture manufacturers in China gaining pace.

Biofuel demand is growing. Fuel pellet producers reported that they increased their investment plans for the commissioning of new capacities.

METALLURGY

The macro-region's top producer of rolled ferrous metals reported that the market environment was favourable. In December, supplies expanded by 5% YoY, including exports – by 11% (an increase in rail exports to Mongolia and the first supply for the metro in Mexico). The enterprise assumes that the demand and prices may continue to grow further.

Five manufacturers of the largest aluminium holding company reported that they had achieved their production targets. They confirmed a rise in the demand for low-carbon aluminium and the conclusion of new long-term contracts in December, including with a large auto group. Supplies to the Asian market secure a sufficient capacity utilisation even amid a contraction of domestic demand. The holding company is not reducing its investments in Siberia and is planning to commission its new plant in spring 2021.

Another non-ferrous and platinum metal producer also recorded a favourable market environment and continues to demonstrate one of the highest profit levels in the industry. The enterprise is going to expand its investments in order to upgrade its production capacities and implement green technologies.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



The revival of consumer activity paused in November 2020. Households still preferred to save funds, opting for low-price goods. In January, more enterprises started to complain about a decline in orders and demand. The economic environment in the macro-region was largely dependent on the situation in external markets. On the one hand, the increasing demand in Asian countries supported a recovery in mining demonstrating a pace above Russian averages. On the other hand, the quarantine measures imposed by China limited fish production and exports and were one of the reasons for maintaining the restrictions on the supplies of fruit and vegetables and a faster rise in their prices.

CONSUMPTION AND INCOMES

The revival of consumer activity paused in November. After a recovery in services that started in Q3, this trend again reversed to a decline.

The number of trade companies expecting demand and turnover to contract in the coming months increased in December.

Amid a reduction in disposable incomes, households continued to spend frugally, opting for discounters and low-price goods. This made a range of enterprises (e.g. meat product manufacturers) to adjust the structure of output towards the economy segment. As the number of coronavirus cases remained high, this strengthened the transfer of demand to the internet.

The majority of surveyed companies did not raise wages in 2020, and planned increases did not exceed the inflation rate, which limits the growth of households' incomes.

PRICES

Monthly price growth (seasonally adjusted) sped up in December, significantly exceeding the Russian average. This was mainly driven by the persistently high growth rates of fruit and vegetable prices: in the second ten days of December, as China toughened its quarantine measures, certain motor vehicle border-

crossing points did not process cargoes, which limited vegetable supplies from China. Another important contributor was an offsetting increase in air fares and prices for health resort services. In January, a number of regions recorded a temporary shortage of petrol caused by a key producer's urgent repairs, which provoked a surge in fuel prices considerably exceeding the Russian average growth rate.

Companies raised their price expectations in January, planning to increase prices by over 4.0% (in annualised terms). During the pandemic period, the majority of surveyed enterprises had to incur extra costs, yet their full pass-through to prices is impossible due to weak demand.

MONETARY CONDITIONS AND BANKING SECTOR

Growth in all segments of the credit market slowed down in November, as the demand had been realised to a significant extent. The monthly growth rate in consumer lending declined substantially in November, and this slowdown was more considerable than on average across Russia. The deceleration in the mortgage lending rise was in line with the country-wide rate. Although the amount of new mortgage loans granted in November contracted, it still stays close to its record high.

According to the majority of banks, they are not going to toughen mortgage lending conditions, which will further support the demand for mortgage loans. Banks also forecast a slight decrease in borrowers' demand for consumer loans.

As government support measures were terminated, this slowed corporate lending growth, with SMEs demonstrating the most significant reduction.

Household deposits continued to contract. People were considering alternative ways to make savings that would ensure higher returns and used their funds for current consumption and for investing in housing construction.

FISHING AND FISH PROCESSING

In December–January, pollock fishing decreased, which was because China (the major importer) closed its ports accepting Russian fish products as part of its anti-coronavirus measures. China's restrictions were also a reason why fish processing contracted year-on-year. Nonetheless, Far Eastern companies are expanding the operation of their fishing fleet and are going to meet their catch quotas. They are considering alternative sales channels, including supplies to external markets through South Korea, direct supplies to Japan, an increase in processing volumes at their own facilities, and sales in the domestic market. The issue concerning a rise in fish product purchases by state-financed organisations is currently being studied. However, a number of small companies announced that they were not interested in selling their products in Russia due to lower domestic prices compared to the external market.

Wholesale prices for pollock declined due to problems with sales. Eventually, a number of producers repurposed their vessels for herring fishing. In contrast, salmon prices increased following a reduction in the inventories.

The situation in the industry had no impact on major fishing enterprises' plans. They are going to increase their investments in the construction

of refrigerating plants and fleet and expand the output of high value-added products.

MINING AND QUARRYING

Mining and quarrying output contracted in December against 2019, predominantly due to a reduction in oil output. This was required by the OPEC+ agreement and was also associated with the maintenance of oil platforms and equipment which was delayed due to a shortage of specialists and problems with spare parts supplies. Price movements in the oil market remain the key factor of the uncertainty about the development of the industry and causes concerns amid major oil production operators.

As external demand in Asian-Pacific Region countries was bouncing back, a large liquefied natural gas producer reported record high shipments. Pipeline gas supplies to China exceeded targets.

Coal production was supported by a seasonal rise in the demand and increased supplies to Asian countries.

The pent-up demand in the lapidary sector contributed to an expansion of diamond sales in December by one-third as compared to November and by 43% against the previous year. Contrastingly, non-metallic mineral producers supplying products to the domestic market complained about a decline in demand and output.

BOX 1.

IMPACT OF THE CORONAVIRUS PANDEMIC ON REGIONAL LABOUR MARKETS

Due to the outbreak of the coronavirus pandemic in 2020, countries introduced a whole range of restrictions on economic activity altering their standard operating procedures. The restrictions on cross-border movements entailed temporary staff shortages in local labour markets in the sectors employing a considerable number of migrants. This deficit significantly affected companies' output and prices only in certain industries (construction, mining and quarrying, agriculture), while varying substantially across regions.

The coronavirus pandemic largely altered the usual mode of life worldwide. To combat the spread of the pandemic, a large number of countries, including Russia, restricted foreign travels in 2020. This reduced migrant flows, which in turn affected the structure of the labour market. Consequently, despite **an overall rise in unemployment in the economy in general observed in 2020, a range of sectors faced staff shortages**. According to Rosstat, **this had only a limited effect on remuneration levels** (Chart 1). Nonetheless, the deficit of employees, primarily low-skilled workers, was significantly more notable in particular regions (Chart 2). According to the Bank of Russia's monitoring of businesses, staff shortages were recorded in construction, mining and quarrying, agriculture, transportation, and trade.

CONSTRUCTION

The staff deficit problem was most acute in construction in Q2, shortly after the introduction of restrictions on people's movements, which was reported by enterprises in all the macro-regions.

Moreover, according to Siberian companies, small and medium-sized construction firms in small regions suffered the most due to the limited opportunities to relocate their staff. Large developers, in contrast, relocated their workers across construction objects more efficiently, depending on their completion deadlines.

According to Far Eastern companies, the situation in the labour market was uneven, varying across construction market segments. Specifically, a number of companies in housing construction (primarily monolithic construction) hired a sufficient number of workers in advance for the entire construction period as early as at the beginning of 2020 due to a rise in the demand caused by the implementation of the Far Eastern Mortgage programme and the transition to escrow accounts. Contrastingly, industrial construction and social buildings (schools) construction faced a severe deficit of workers (e.g. bricklayers and reinforced concrete workers).

To meet completion deadlines, a large number of companies tried to hire specialists from neighbouring regions. They signed individual agreements with new workers providing for increased wage levels.

In particular, the Far Eastern macro-region recorded a 14.1% annual growth of wages in construction, which is higher than over the same period in 2019 (7.4%). This number does not take into account the figures of the Sakha (Yakutia) Republic where wages decreased as the construction of the first stage of the Power of Siberia pipeline was accomplished. Enterprises in the Central, Volga-Vyatka and Southern macro-regions also reported a rise in labour costs in both construction and finishing. Nonetheless, a range of Ural regions (Perm, Bashkortostan) were offsetting staff shortages

by hiring local workers, often lower-skilled ones but with the same remuneration level. Siberian enterprises also report only targeted wage increases in response to the reduction in staff numbers, which was primarily associated with the coming deadlines for commissioning.

The impact of the reduced numbers of foreign workers on construction volumes also largely varied across different regions. **Staff shortages in construction delayed commissioning schedules in the majority of regions, while having no major effect on large investment projects.** In particular, foreign workers were granted special permits for the construction of the Amur Gas Processing Plant and Gas Chemical Complex and were transported by chartered flights, among other things.

Delays in commissioning due to staff shortages were reported by enterprises in the Siberian macro-region. For this reason, companies in the Zabaikalye Territory and the Republic of Khakassia were forced to extend commissioning and construction periods, including for buildings financed from the funds allocated for national projects.

MINING AND QUARRYING

Postponement of work completion dates due to staff shortages was reported not only by construction companies, but also by the mining and quarrying sector. Specifically, oil producers in the Far-Eastern macro-region faced a problem associated with the arrival of subject matter specialists from abroad for the maintenance of drilling equipment and offshore oil platforms and for conservation. This forced companies to reschedule deadlines, yet had no effect on work volumes.

Contrastingly, mining and quarrying enterprises in two Siberian regions, including the Tyva Republic and the Irkutsk Region, reported a decline in work volumes caused by staff shortages resulting from the absence of foreign workers. According to preliminary estimates, the output of a large mining and processing plant in the Tyva Republic contracted by 20% over 2020.

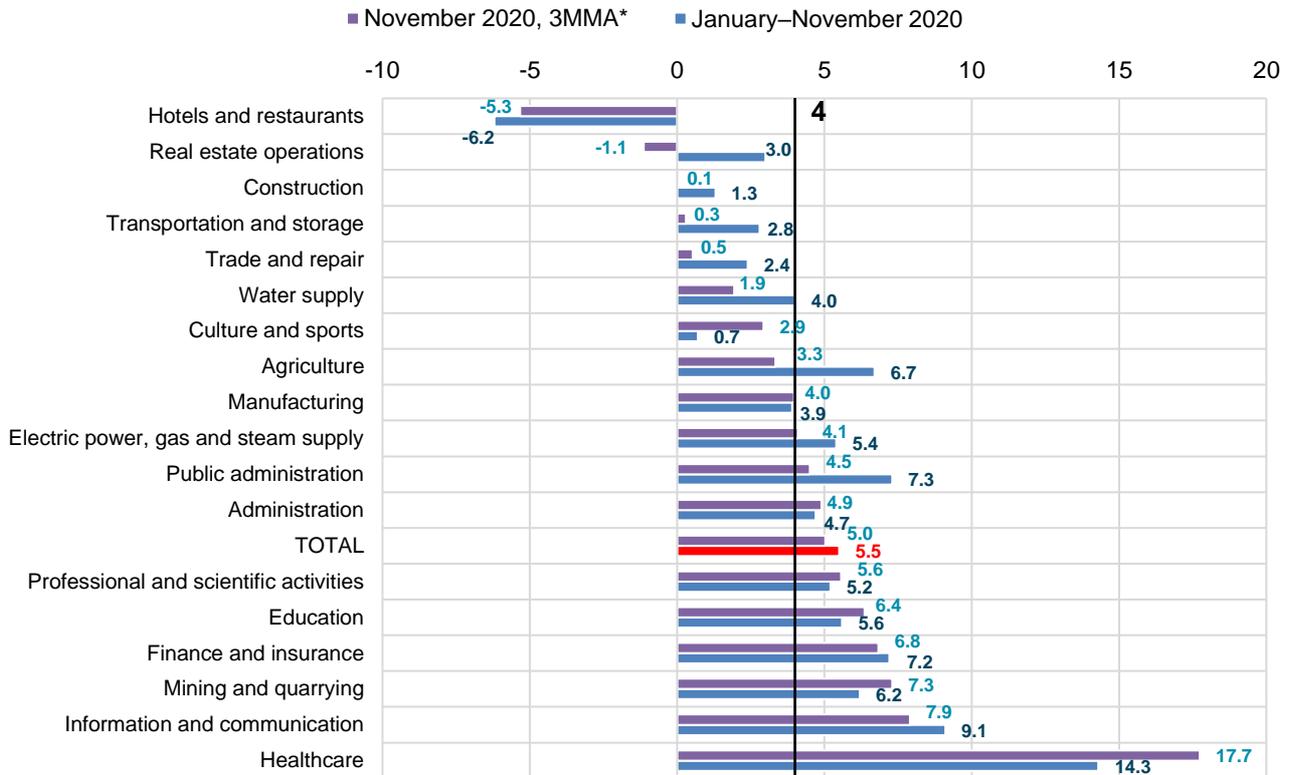
In order to mitigate the negative effect of staff shortages on production results, a considerable portion of mining and quarrying companies had to adjust rotational employees' work schedules, proposing them to extend their stays at working sites (for three to six months) and relocating employees from less efficient to more promising facilities, which in turn required companies to pay increased wages. Among other things, such an approach enabled companies to reduce contacts among employees, including to combat the spread of the coronavirus (e.g. at large deposits in the Nenets Autonomous Area). Moreover, enterprises in the Ural macro-region reported that many workers were temporarily engaged in construction companies' projects, finishing and repairs during periods between rotations.

AGRICULTURE

Temporary staff transfers between industries significantly helped reduce mismatches in individual sectors. This enabled companies to avoid labour cost competition, which was reported by agricultural producers in a number of regions (e.g. the Amur Region). Companies in certain regions complained about an insufficient level of workers' skills as a more serious problem than staff shortages.

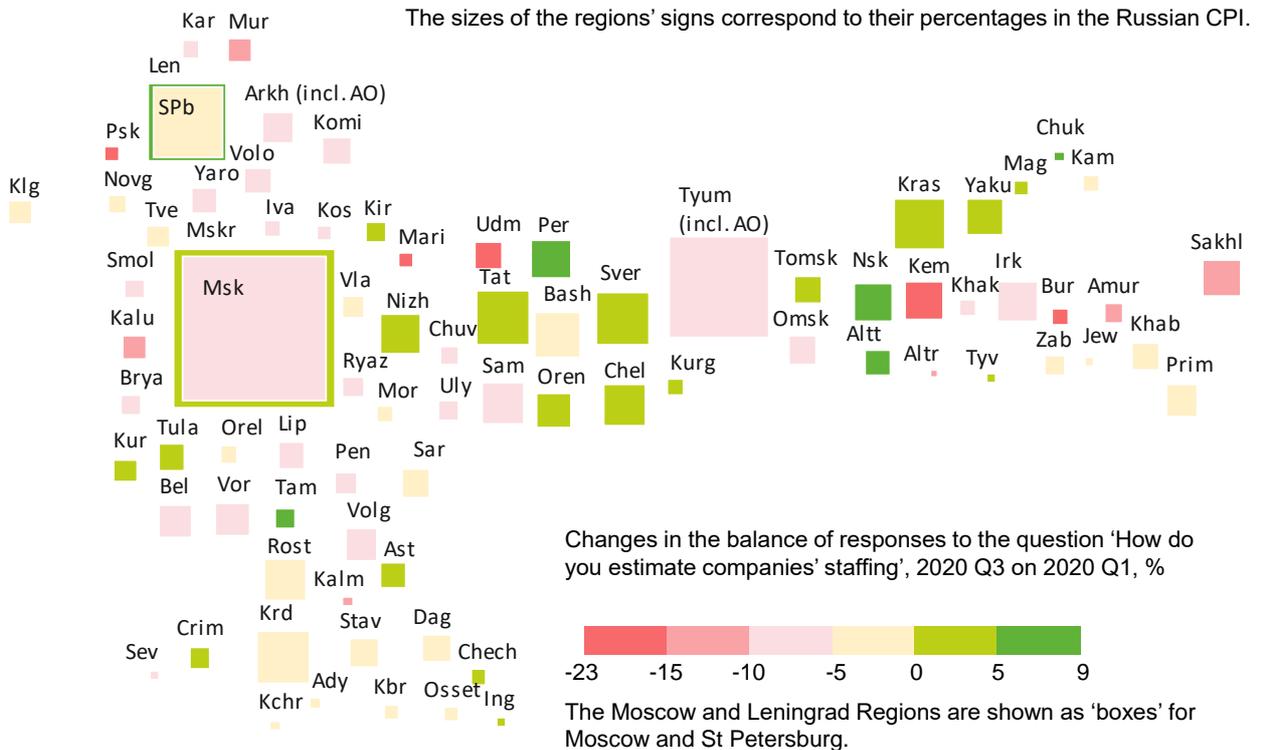
Overall, both regional data and official statistics largely evidence that staff shortages provoked by restrictions on cross-border movements in 2020 were predominantly temporary and local and did not have a significant impact on production volumes. Nonetheless, only a part of companies increased remuneration to offset the staff deficit. According to recent monitoring results, enterprises in the majority of regions raised wages by no more than 5% in 2020 or did not increase them at all.

Chart 1. Nominal wage increases in January–November 2020, % YoY



* Average of annual growth rates in September–November.
Source: Rosstat.

Chart 2. Changes in staffing across regions, 2020 Q3 on 2020 Q1



Source: Bank of Russia's monitoring of businesses.

BOX 2.

HOUSING MARKET AND ITS REGIONAL SPECIFICS IN 2020

The development of housing construction was influenced by a whole range of factors in 2020. A surge in demand, largely boosted by preferential mortgage lending programmes, played a key role at both the federal and regional levels. The growth rate of demand exceeded that of supply which was limited by the portfolio of projects launched in the previous year. An increase in construction companies' costs also had a certain impact on prices. As a result, the housing market faced a deficit in 2020, which sped up price growth compared to 2019. Moreover, it was highly uneven across regions and was largely driven by local factors.

In 2020, the development of housing construction was impacted by a whole range of factors. As economic uncertainty significantly rose amid the coronavirus pandemic and households' incomes plummeted in 2020 Q2 due to the restrictions on business activity imposed to combat the spread of the pandemic, this caused a slump in demand, including for housing. However, this decline was only temporary, reversing to an upward trend already in 2020 H2. The demand for housing was largely promoted by the easing of monetary policy and industry support measures adopted amid the coronavirus pandemic, including the 6.5% preferential mortgage lending programme (for details about the support measures for the industry, refer to the analytical note [Housing Construction](#)). Another important factor influencing the development of the industry was the shift towards project finance in housing construction at the end of 2019.

These factors determined overall trends in the housing market in the majority of the macro-regions. Nonetheless, the situation significantly varied across regions. Local factors (the number of projects close to completion, the existence of regional preferential mortgage lending programmes, etc.) were of major importance, causing a considerable variance in both construction volumes and housing price movements.

DEMAND AND DEMAND-SIDE FACTORS

Although real disposable household incomes declined in 2020, **the majority of the macro-regions report a rise in the demand for housing.** This growth is associated with two groups of factors.

The first and the most important one is a higher affordability of mortgage loans.

This is confirmed by companies in all the macro-regions, predominantly emphasising the role of the 6.5% preferential mortgage lending programme. Saint Petersburg was the leader by the registration of housing mortgage in Russia. From the start date of the programme until 1 December 2020, the city registered 16,600 mortgage lending agreements, accounting for 13% of the overall number across the country.

A number of regions also implemented their local preferential mortgage lending programmes which played a significant role as well, largely causing differences in housing price growth rates within the macro-regions. Specifically, the Penza Region has special programmes to additionally subsidise interest rates on mortgage loans in the primary market. As a result, interest rates there are lower than in other territories of the Volga-Vyatka macro-region, which determined price dynamics.

The key factor supporting demand in the Far Eastern macro-region is the even more favourable Far Eastern Mortgage programme. Beginning in September 2020, it was expanded

to newcomers without any age and family status restrictions, as well as to secondary housing in the cities of the Magadan Region and in Chukotka. The most significant growth (1.7–1.8 times) in the mortgage market was recorded in the Khabarovsk Territory, the Amur Region, Sakhalin, and the Primorye Territory.

The complex of preferential mortgage lending programmes supported demand in the majority of the macro-regions and more than offset the effects of income decline and elevated economic uncertainty. However, the actual rise in housing prices in a range of regions in response to the surge in demand has already largely or even completely wiped out the positive effect of preferential lending for a higher affordability of housing for buyers.

In particular, enterprises in Central Russia report that housing buyers' activity decreased by the beginning of December 2020. A number of real estate agencies recorded a reduced number of advanced payments as compared to the previous month. According to market experts, a shortage of liquid housing and increased prices were the reasons why demand could not be realised in full in November–December 2020, despite the extension of the 6.5% preferential mortgage lending programme.

Enterprises in the Ural macro-region also report that the preferential mortgage lending programme has helped developers to sell apartments at market prices in buildings under construction, yet has not encouraged them to launch a large number of new projects amid the economic uncertainty persisting in 2021. Moreover, there is a risk that the extension of the preferential programmes will induce an additional rise in costs in the production and construction industries, which will push real estate prices upwards.

The second reason for the increase in the demand for housing in 2020, in addition to a higher affordability of loans, is a shift in households' saving preferences. As deposit rates and volatility in the foreign

exchange market trended downwards, real estate has become a more attractive asset used by households as a store of value. Specifically, market experts in the central macro-region report that people aged 36–45 are the most active customers in the Moscow Region, with approximately one-fourth of them purchasing one-room apartments for investment purposes. According to regional experts in the Volga-Vyatka macro-region, another driver of the demand for real estate could be the transfer of consumption (namely, expenses for foreign travels) to the housing market due to the anti-pandemic restrictions on travels abroad.

SUPPLY AND SUPPLY-SIDE FACTORS

According to companies in the majority of the macro-regions, a surge in construction companies' costs was provoked by soaring price volatility in global markets and the accompanying increase in prices for raw materials (fittings, metals, etc.) used in construction, as well as the weakening of the ruble. This was confirmed by enterprises in most macro-regions.

Companies in a range of regions complain about a rise in costs caused by temporary staff shortages resulting from the anti-pandemic restrictions on cross-border movements, including from CIS countries.

As estimated by enterprises in the Far Eastern macro-region, supply and costs were adversely affected by general factors, such as a shortage of sites for complex real estate development (the Khabarovsk and Primorye Territories and Yakutia mostly implement infill development projects, which increases construction costs), and the absence of land plots with engineering and social infrastructure.

Developers in the Ural macro-region emphasise high costs of connecting new housing to engineering networks as a limiting factor in a range of territories. Developers often need to build and reconstruct mainlines at their own expense, after which they are transferred to municipal balance sheets. Furthermore, when deadlines for the actual connection of

commissioned buildings to engineering networks are not met, this entails risks of failure to meet deadlines for transferring apartments to their buyers, which involves reputational and financial losses.

Another factor impacting the supply of housing in 2020 was the continuing adjustment of construction companies to doing business in the conditions of a shift towards project finance. The elevated demand for apartments entailed a reduction in the most liquid portion of the housing supply in the majority of regions. Moreover, despite high demand, developers were not capable to increase the number of new construction projects so fast. In particular, the Far Eastern macro-region issued fewer housing construction permits in 2020 than a year before, with Yakutia and Sakhalin largely accounting for this reduction due to a considerable decrease in the number of specialised developers and permit and registration issues (related to land plots and specifications). In the Siberian macro-region, the area of current development decreased over the year in the Tomsk and Irkutsk Regions and the Altai Territory. Despite

commissioning expansion in Irkutsk (+20% over January–November 2020), realtors estimate the current supply as the lowest in recent years. Market analysts in the North-Western macro-region also stressed the importance of this problem estimating that the supply of housing in the primary market in Saint Petersburg contracted by 25% by the end of 2020 as compared to late 2019, and liquid housing purchased in the Kaliningrad Region's primary market reached 90%.

In this situation, regions with the lowest number of active projects (ready for commissioning or under construction) experienced the highest pressure on prices. In addition, as noted by experts in the North-Western macro-region, an inflow of funding to the industry enabled companies to avoid freezes on construction projects during the acute phase of the pandemic and related restrictions in Q2, especially at the initial stage of construction, as well as on projects being built according to the previously effective rules.

Generally, the housing construction market faced a surge in housing prices in 2020 across almost all regions. In 2021, taking into account the announced expiry of the comprehensive 6.5% preferential lending programme by 1 July 2021, the majority of enterprises expect demand to gradually return to steady levels, which is assumed to slow down and normalise housing price growth.

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.3	3.0	3.4	2.4	3.1	3.7	4.9	4.4	4.9	
Core inflation	% YoY	3.7	3.1	3.5	2.6	2.9	3.1	4.2	3.9	4.2	
Industrial production	% YoY	3.5	3.4	2.8	2.6	-6.7	-4.8	-2.5	-1.5	-0.2	
Fixed capital investment	Cumulative, % YoY	5.4	1.7	1.7	1.2	-4.0	-4.1				
Construction	3MMA, % YoY	6.3	2.1	1.7	2.8	-3.9	1.1	0.8	1.5	0.8	
Housing commissioning	3MMA, % YoY	-4.5	6.2	5.0	-1.3	-21.2	5.7	-1.0	14.4	-1.4	
Retail	% YoY	2.8	1.9	2.1	4.4	-16.0	-1.6	-2.8	-3.1	-3.6	
Commercial services	% YoY	1.4	0.5	0.2	-1.9	-36.1	-17.3	-13.2	-13.8	-12.5	
Real wages	% YoY	8.5	4.8	4.6	6.2	-0.1	1.8		0.2		
Real disposable income	% YoY	0.1	1.7	2.8	1.8	-8.0	-4.3	-1.5			
Outstanding consumer loans	% YoY	21.4	19.3	19.3	19.8	11.6	9.2	7.5	8.6	7.5	
Outstanding mortgage loans	% YoY	23.4	16.9	16.9	15.2	13.7	18.6	21.2	20.8	21.2	
Non-financial organisations' outstanding bank loans	% YoY	6.2	4.7	4.7	7.8	8.5	10.0		10.4		
• Large borrowers	% YoY	7.1	3.5	3.5	7.2	8.0	7.6		8.9		
• SMEs	% YoY	0.3	12.9	12.9	11.8	11.9	25.5		19.6		
Companies' price expectations	Balance of responses, SA	10.6	10.2	8.4	13.4	17	16.1	19.6	20.4	18.1	18.3
Business Climate Index	pp YoY	3.5	4.5	5.2	-5.2	-10.5	-1.9	-5.9	-6.3	-3.2	
• Current estimates	pp YoY	-3.7	-3.2	-2.7	-10.5	-22.5	-1.1	-4.9	-4.2	-2.6	
• Expectations	pp YoY	11.0	12.5	13.4	0.3	2.5	-2.6	-6.9	-8.6	-3.9	

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

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.7	3.0	3.0	2.3	3.1	3.5	4.7	4.2	4.7	
Core inflation	% YoY	4.2	3.2	3.2	2.5	2.8	3.1	4.2	3.8	4.2	
Industrial production	% YoY	5.6	7.4	0.3	5.1	-3.7	3.7	12.0	18.8	15.5	
Fixed capital investment	Cumulative, % YoY	11.7	6.9	6.9	4.4	-0.3	0.2				
Construction	3MMA, % YoY	1.5	2.0	-1.8	-5.9	-12.7	-1.2		5.7		
Housing commissioning	3MMA, % YoY	-3.9	8.1	-6.4	1.7	-32.7	-17.1	23.6	22.5	23.6	
Retail	% YoY	4.2	2.3	2.8	5.1	-16.0	0.3		-1.8		
Commercial services	% YoY	0.4	2.6	5.1	-2.6	-40.5	-24.1	-19.6	-19.0	-20.2	
Real wages	% YoY	6.9	6.2	5.3	7.6	-1.2	2.6		1.7		
Real disposable income	% YoY	1.0	2.8	3.9	2.8	-8.0	-2.8				
Outstanding consumer loans	% YoY	21.9	19.3	19.3	19.6	10.5	8.0	6.0	7.6	6.0	
Outstanding mortgage loans	% YoY	25.7	21.5	21.5	19.5	16.4	21.2	23.9	23.5	23.9	
Non-financial organisations' outstanding bank loans	% YoY	9.5	4.4	4.4	9.4	11.2	13.0		14.0		
• Large borrowers	% YoY	11.1	2.6	2.6	8.9	11.2	11.9		14.2		
• SMEs	% YoY	-2.4	20.5	20.5	14.0	11.7	22.9		12.8		
Companies' price expectations	Balance of responses, SA	12.5	12.2	10.8	13.3	17.3	18.5	23.7	26.0	22.2	23.0
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	-0.6	0.0	1.2	-8.3	-15.8	0.3	-5.3	-6.1	-3.4	
• Current estimates	pp YoY	-0.1	-0.4	-1.3	-3.6	-21.7	0.6	-4.6	-2.8	-5.1	
• Expectations	pp YoY	-1.1	0.5	3.7	-13.5	-8.9	0.0	-6.1	-9.5	-1.8	

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

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.1	3.0	3.0	2.9	3.1	3.6	4.8	4.3	4.8	
Core inflation	% YoY	3.7	3.2	3.2	2.9	2.8	3.4	4.0	3.8	4.0	
Industrial production	% YoY	2.9	3.4	2.2	1.5	-8.3	-5.0	-2.1	-3.8	0.8	
Fixed capital investment	Cumulative, % YoY	15.5	-18.8	-18.8	-11.2	-4.4	-3.3				
Construction	3MMA, % YoY	5.0	-13.0	-21.7	-9.7	-13.6	-17.9		-24.4		
Housing commissioning	3MMA, % YoY	5.4	-1.3	16.3	-23.9	-14.8	36.7	-3.3	35.1	-3.3	
Retail	% YoY	3.7	2.0	1.2	5.9	-11.7	1.0		-0.2		
Commercial services	% YoY	2.8	0.0	-0.7	-3.2	-33.4	-16.8	-11.7	-12.3	-11.7	
Real wages	% YoY	7.0	1.0	2.9	4.3	-1.5	1.0		-1.8		
Real disposable income	% YoY	2.8	0.8	0.9	2.0	-3.3	-2.9				
Outstanding consumer loans	% YoY	23.6	20.2	20.2	20.1	11.5	9.2	7.4	8.4	7.4	
Outstanding mortgage loans	% YoY	25.1	19.4	19.4	16.8	14.7	19.3	21.3	21.2	21.3	
Non-financial organisations' outstanding bank loans	% YoY	12.2	3.0	3.0	-0.6	-0.8	1.6		7.0		
• Large borrowers	% YoY	15.7	3.0	3.0	-0.3	-1.7	-5.2		0.5		
• SMEs	% YoY	-4.8	3.3	3.3	-2.4	3.8	47.0		47.8		
Companies' price expectations	Balance of responses, SA	11.7	11.1	8.9	13.2	19.2	16.4	19.5	19.2	18.7	18.2
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	-0.1	0.4	1.6	-9.9	-12.2	-2.0	-6.4	-5.8	-4.2	
• Current estimates	pp YoY	0.3	0.2	0.6	-7.9	-17.4	-1.3	-5.4	-3.0	-3.6	
• Expectations	pp YoY	-0.7	0.5	2.7	-12.0	-6.3	-2.8	-7.4	-8.9	-4.8	

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

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.3	2.8	2.8	2.6	3.5	4.1	5.5	5.0	5.5	
Core inflation	% YoY	3.7	3.1	3.1	2.8	3.2	3.6	4.7	4.3	4.7	
Industrial production	% YoY	1.8	2.8	2.6	1.4	-10.5	-2.8	-3.8	-3.1	-1.4	
Fixed capital investment	Cumulative, % YoY	-0.4	-0.5	-0.5	-1.9	-4.2	-6.9				
Construction	3MMA, % YoY	-0.3	0.8	0.8	-5.7	-11.2	-9.0		-14.4		
Housing commissioning	3MMA, % YoY	-2.9	9.1	9.1	7.1	-17.3	12.7	-18.1	-3.0	-18.1	
Retail	% YoY	4.0	1.1	0.9	4.7	-16.1	-3.3		-5.1		
Commercial services	% YoY	0.7	0.2	0.3	-1.7	-29.0	-11.6	-8.2	-8.9	-6.8	
Real wages	% YoY	5.7	2.3	4.8	5.3	-0.2	2.0		-0.2		
Real disposable income	% YoY	0.0	1.3	1.2	1.8	-6.5	-4.2				
Outstanding consumer loans	% YoY	22.2	19.3	19.3	19.9	11.4	9.1	7.5	8.5	7.5	
Outstanding mortgage loans	% YoY	22.8	12.9	12.9	11.5	10.5	16.0	19.3	18.3	19.3	
Non-financial organisations' outstanding bank loans	% YoY	-3.6	-3.6	-3.6	2.7	5.0	-0.3		1.3		
• Large borrowers	% YoY	-4.8	-4.0	-4.0	2.1	4.5	-6.5		-4.4		
• SMEs	% YoY	0.7	-2.2	-2.2	4.7	6.8	22.5		21.3		
Companies' price expectations	Balance of responses, SA	11.1	11.4	9.9	22.7	15.3	22.1	18.7	22.4	18.7	21.0
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	0.0	1.6	-0.7	-12.3	-17.2	-2.6	-6.6	-6.9	-1.8	
• Current estimates	pp YoY	0.3	0.6	-0.9	-10.0	-23.6	-2.0	-4.9	-4.6	0.5	
• Expectations	pp YoY	-0.4	2.7	-0.5	-14.5	-9.7	-3.2	-8.3	-9.2	-3.9	

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

Core indicators. Southern Main Branch

Table 5

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.2	2.8	2.8	2.4	3.3	3.8	5.4	4.9	5.4	
Core inflation	% YoY	3.3	3.2	3.2	2.7	3.0	3.4	4.2	3.9	4.2	
Industrial production	% YoY	5.1	3.1	4.9	4.4	-3.7	0.7	-0.7	-2.0	2.4	
Fixed capital investment	Cumulative, % YoY	-3.8	-9.7	-4.1	16.6	4.2	5.4				
Construction	3MMA, % YoY	3.3	-10.2	-18.0	-1.7	-19.4	3.3		7.9		
Housing commissioning	3MMA, % YoY	-14.1	7.3	4.7	-3.8	-11.3	5.8	-0.8	6.8	-0.9	
Retail	% YoY	1.9	1.8	3.0	4.2	-22.8	-1.6		0.2		
Commercial services	% YoY	2.3	-0.6	-2.2	0.5	-38.3	-5.6	-2.6	-6.3	-1.6	
Real wages	% YoY	7.3	2.8	5.0	6.1	1.7	0.6		-0.5		
Real disposable income	% YoY	0.5	1.0	2.0	2.8	-11.4	-0.7				
Outstanding consumer loans	% YoY	21.7	20.6	20.6	20.6	12.1	9.3	7.7	8.6	7.7	
Outstanding mortgage loans	% YoY	27.0	18.2	18.2	16.7	15.8	20.3	23.4	22.8	23.4	
Non-financial organisations' outstanding bank loans	% YoY	2.9	4.6	4.6	4.3	2.7	3.4		3.2		
• Large borrowers	% YoY	3.5	4.4	4.4	3.2	0.2	0.5		0.2		
• SMEs	% YoY	1.0	6.5	6.5	7.5	10.6	13.5		13.8		
Companies' price expectations	Balance of responses, SA	9.4	8.6	6.4	12.4	15.0	15.1	17.2	20.7	15.5	14.0
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	0.0	0.9	2.4	-8.1	-14.3	-1.4	-4.8	-5.0	-4.6	
• Current estimates	pp YoY	0.4	-0.5	1.4	-6.1	-24.5	-0.2	-4.1	-4.0	-3.4	
• Expectations	pp YoY	-0.4	2.2	3.4	-10.1	-2.4	-2.5	-5.6	-5.9	-5.7	

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

Core indicators. Ural Main Branch

Table 6

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.6	3.0	3.0	2.5	3.0	3.3	4.4	4.0	4.4	
Core inflation	% YoY	3.3	3.0	3.0	2.4	2.6	3.0	4.0	3.6	4.0	
Industrial production	% YoY	2.8	5.3	6.9	3.0	-5.3	-6.0	-2.1	-2.0	-1.2	
Fixed capital investment	Cumulative, % YoY	4.5	-4.2	-4.2	16.5	10.2	4.3				
Construction	3MMA, % YoY	44.5	-6.9	-9.7	3.7	-3.5	1.9		-3.0		
Housing commissioning	3MMA, % YoY	-4.7	5.0	9.1	7.4	-15.3	14.5	-7.5	9.6	-7.5	
Retail	% YoY	3.4	1.5	1.2	4.5	-13.1	-4.0		-5.4		
Commercial services	% YoY	3.2	-0.1	-1.1	-0.8	-36.0	-21.7	-12.4	-14.9	-8.9	
Real wages	% YoY	6.1	2.4	3.8	4.7	0.8	1.9		-0.6		
Real disposable income	% YoY	0.7	1.4	1.7	2.2	-6.8	-6.3				
Outstanding consumer loans	% YoY	20.6	19.4	19.4	20.0	12.3	10.2	8.2	9.4	8.2	
Outstanding mortgage loans	% YoY	19.8	12.1	12.1	10.7	10.1	15.0	17.4	17.0	17.4	
Non-financial organisations' outstanding bank loans	% YoY	1.5	6.9	6.9	9.2	4.0	6.6		4.6		
• Large borrowers	% YoY	1.3	7.0	7.0	8.3	2.4	3.9		2.1		
• SMEs	% YoY	3.2	6.0	6.0	16.9	16.3	27.5		23.9		
Companies' price expectations	Balance of responses, SA	9.5	11.5	8.7	11.1	14.3	15.1	18.2	17.7	18.5	18.6
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	1.5	2.0	2.4	-10.8	-15.8	-4.1	-7.2	-7.6	-2.0	
• Current estimates	pp YoY	2.0	1.2	1.5	-8.6	-19.3	-1.1	-3.4	-0.2	0.0	
• Expectations	pp YoY	1.0	2.9	3.2	-12.8	-11.9	-7.3	-10.8	-14.6	-4.0	

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

Core indicators. Siberian Main Branch

Table 7

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	4.3	3.6	3.6	2.8	3.5	3.8	4.9	4.7	4.9	
Core inflation	% YoY	3.6	3.3	3.3	2.6	3.1	3.4	4.4	4.1	4.4	
Industrial production	% YoY	3.3	2.0	1.9	-2.5	-5.8	-5.5	-4.7	-5.5	-3.6	
Fixed capital investment	Cumulative, % YoY	4.5	6.3	6.3	5.3	2.2	-0.6				
Construction	3MMA, % YoY	-6.3	4.9	3.9	-10.6	-20.3	-16.0		-8.0		
Housing commissioning	3MMA, % YoY	-10.0	11.1	16.2	1.0	-26.2	25.1	-8.5	28.2	-8.5	
Retail	% YoY	2.8	2.7	2.6	3.5	-11.2	-3.4		-5.8		
Commercial services	% YoY	1.8	0.6	1.0	-2.6	-27.4	-12.2	-9.5	-10.3	-8.9	
Real wages	% YoY	6.4	3.9	3.6	3.8	1.8	2.7		-0.3		
Real disposable income	% YoY	0.8	0.2	1.0	1.3	-3.2	-3.2				
Outstanding consumer loans	% YoY	18.4	17.6	17.6	19.2	12.5	10.5	9.3	9.8	9.3	
Outstanding mortgage loans	% YoY	20.8	13.4	13.4	11.4	11.2	16.2	18.8	19.0	18.8	
Non-financial organisations' outstanding bank loans	% YoY	-5.3	3.8	3.8	6.2	8.2	11.0		8.4		
• Large borrowers	% YoY	-7.7	2.1	2.1	5.2	7.9	9.0		5.9		
• SMEs	% YoY	7.7	11.9	11.9	10.7	9.7	20.4		19.2		
Companies' price expectations	Balance of responses, SA	10.3	8.7	6.2	12.9	19.5	15.0	17.2	16.9	14.4	14.8
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	-0.2	1.8	1.2	-6.8	-13.4	-2.8	-5.8	-5.9	-2.2	
• Current estimates	pp YoY	0.0	2.6	2.0	-5.3	-19.8	-3.0	-5.3	-5.7	0.8	
• Expectations	pp YoY	-0.5	0.9	0.4	-8.2	-6.1	-2.5	-6.2	-6.1	-5.0	

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

		2018	2019	2019	2020	2020	2020	2020	Nov.	Dec.	Jan.
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	3.8	3.8	3.8	3.2	3.7	3.9	5.0	4.5	5.0	
Core inflation	% YoY	3.2	3.3	3.3	2.6	3.1	3.5	3.9	3.8	3.9	
Industrial production	% YoY	5.5	6.5	5.3	1.6	-6.9	-11.7	-3.1	-1.4	-1.7	
Fixed capital investment	Cumulative, % YoY	7.8	2.9	2.9	-12.3	-12.1	-9.8				
Construction	3MMA, % YoY	2.3	-4.2	-10.7	-6.4	-27.5	-25.9		-6.7		
Housing commissioning	3MMA, % YoY	-7.0	8.6	24.3	-7.8	3.7	17.4	-3.1	12.2	-3.1	
Retail	% YoY	4.0	3.9	4.8	3.5	-14.8	-2.0		-0.9		
Commercial services	% YoY	0.9	-2.1	-1.9	-4.9	-37.9	-15.8	-14.8	-15.6	-14.3	
Real wages	% YoY	7.3	1.0	4.5	4.9	0.6	-0.2		-1.1		
Real disposable income	% YoY	3.2	1.7	1.6	1.3	-4.9	-3.7				
Outstanding consumer loans	% YoY	21.8	19.1	19.1	19.6	12.7	10.8	9.2	9.7	9.2	
Outstanding mortgage loans	% YoY	21.3	17.0	17.0	17.4	17.7	21.5	24.2	23.3	24.2	
Non-financial organisations' outstanding bank loans	% YoY	10.1	29.9	29.9	28.7	29.7	30.0		19.9		
• Large borrowers	% YoY	7.6	27.4	27.4	23.0	25.1	25.3		18.2		
• SMEs	% YoY	21.3	40.2	40.2	52.3	47.7	49.1		26.3		
Companies' price expectations	Balance of responses, SA	8.9	8.4	9.2	11.3	13.5	14.3	16.7	15.3	17.6	18.3
Business Climate Index (Bank of Russia's monitoring of businesses)	pp YoY	-1.2	-1.3	-0.6	-8.5	-10.3	-4.0	-7.2	-9.5	-3.4	
• Current estimates	pp YoY	-2.7	0.7	0.2	-7.0	-16.8	-4.4	-8.0	-9.4	-4.7	
• Expectations	pp YoY	0.3	-3.2	-1.5	-10.2	-2.9	-3.6	-6.4	-9.6	-2.1	

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