



Bank of Russia



REGIONAL ECONOMY

Commentaries by Bank of Russia Main Branches

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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

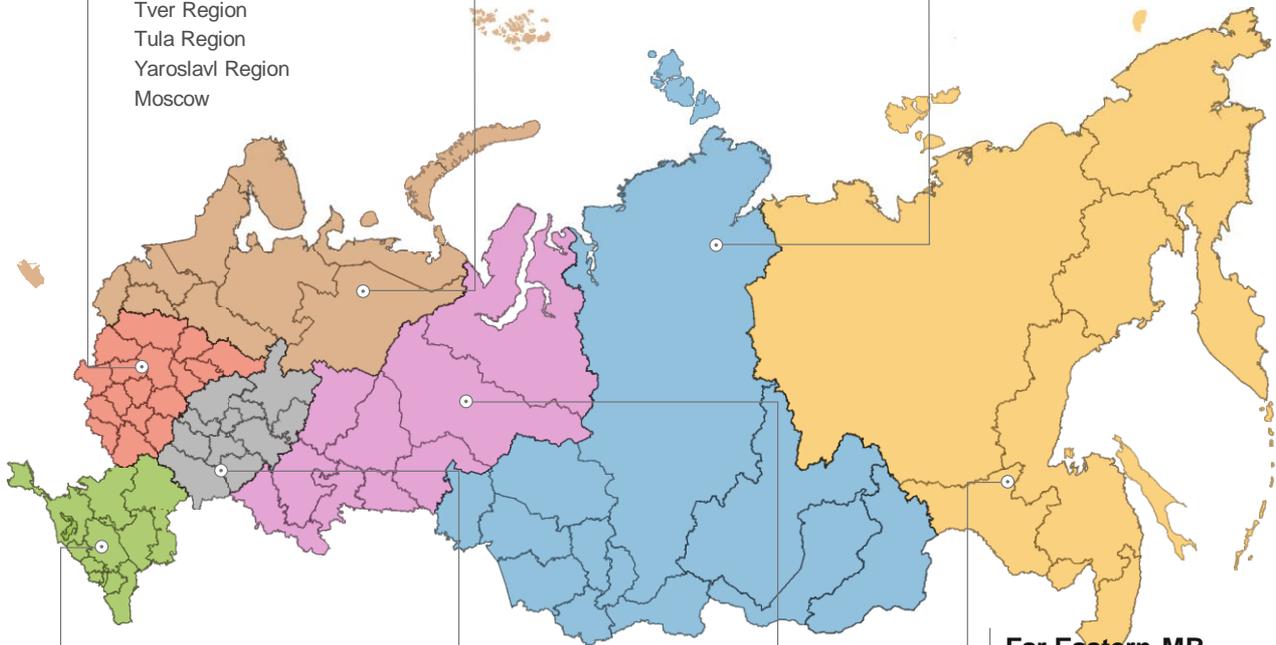
North-Western MB

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

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of over 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 May 2021, we surveyed 13,617 companies.

RUSSIAN FEDERATION

In most Russian regions, consumer activity exceeded the pre-pandemic level in May–June 2021. Industrial output expanded most significantly, driven by a favourable situation in global markets and infrastructure construction. High demand for labour and intersectoral competition for employees boosted a rise in wages. Inflation and inflation expectations remained elevated due to higher demand and costs. The worsening epidemic situation and the reintroduction of restrictions on business activity had an adverse impact on estimates of future demand in services.

In May–June 2021, **economic activity exceeded its pre-pandemic level, with both domestic and external demand rising**. As global demand continued to go up, companies built up oil output and gas and coal exports. There was a significant increase in oil refining volumes in Urals and Volga regions and in the output of chemicals and metal products in Central Russia. The Far East expanded investment in wood processing. Expecting export duties to go up, metal producers built up exports as much as possible (for more details on the influence of global markets on economic activity, see the Box ‘Situation in global markets and external demand sectors in 2021 H1’). Domestic demand for construction materials and metals was supported by the implementation of projects related to housing construction, the expansion of road infrastructure, and the development of mineral deposits. As estimated by enterprises, they continued to build up investment goods imports in May–June in order to upgrade their production facilities and digitalise business processes. Individual sectors still experienced labour demand and supply gaps (see the Box ‘Rebound in regional labour markets in 2021 H1’).

As real wages were growing and inflation expectations remained elevated, consumer

activity exceeded its pre-pandemic level. In June, demand in trade and services rose most considerably in the South and North-West due to a significant inflow of tourists. Concurrently, as coronavirus cases soared, the authorities toughened anti-pandemic restrictions in recent weeks. Russian regions cancelled public events and introduced requirements for mandatory vaccination in certain groups of the population, which affected consumer sentiment and business activity.

As monetary conditions are expected to be tightened, all market segments expanded lending in May–June. The demand for mortgage loans increased most notably.

In recent months, companies’ expectations regarding price growth stayed at their record highs. **Annual inflation continued to speed up in June, reaching 6.5%**. Demand-side inflationary pressure persisted in the majority of product and service markets. According to manufacturers, rising costs remained a significant contributor to higher prices. However, companies were passing through their costs to prices due to growing demand. This impact was most notable in prices for construction materials, foreign tourism services, hotels, and health resorts.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT

The rebound of consumption paused due to anti-pandemic restrictions which Moscow reintroduced earlier than all other regions. Shopping mall traffic and passenger flow decreased. Occupancy rates in hotels in the tourist cities of the Golden Ring of Russia remained high. Amid higher global prices, the macro-region continued to build up exports of metallurgical raw materials.

NORTH-WESTERN MAIN BRANCH

As the macro-region hosted international business and sports events, this supported consumption. Output in mining and quarrying expanded. Tourism infrastructure continued to develop. The output of vehicles generally increased, although car production was still below the pre-pandemic level.

VOLGA-VYATKA MAIN BRANCH

Companies' expectations were more positive than generally across Russia. As a result of substantial investment over previous periods, the output of petroleum products, namely motor fuels, reached record highs. Enterprises reported higher demand for agricultural machinery, equipment for retail chains, and components for motor vehicles. As anti-pandemic restrictions were tightened, cultural institutions in some regions had to terminate the season earlier than usual.

SOUTHERN MAIN BRANCH

Consumer demand continued to go up, predominantly owing to an inflow of tourists from other regions. Most investment projects are focused on the development of tourism infrastructure.

The demand for residential property in resort areas remains high, which pushes up housing prices. Agricultural enterprises expecting their harvest to increase are going to raise prices

due to a noticeable growth of costs for fertilisers and crop protection chemicals.

URAL MAIN BRANCH

The Urals maintained high growth rates in industrial sectors as the environment in global commodity markets was favourable for exporters and Russia was implementing large infrastructure projects. Over a half of surveyed developers are going to further increase housing construction despite more expensive construction materials and staff shortages. As coronavirus cases soared, a range of mass cultural events were cancelled.

SIBERIAN MAIN BRANCH

Industrial sectors observed a rise in the demand and prices for products, with output bouncing back close to pre-pandemic levels. The macro-region exports all coal volumes exceeding contractual supplies. The metallurgical complex is eliminating consequences of industrial accidents and preparing for large-scale environmental modernisation. Food enterprises reported an increase in exports of products based on Siberian nuts and berries.

FAR EASTERN MAIN BRANCH

Cargo transshipment through sea ports and rail freight turnover expanded more significantly than generally across the country. Importers were forced to purchase their own containers. Timber companies make investments in processing due to expected restrictions on raw timber exports. Fish product manufacturers are going to raise prices due to higher costs.

CORE ECONOMIC INDICATORS

		Date	RF	CFD	North Weste rn MB	Volga Vyatk a MB	South ern MB	Ural MB	Siberi an MB	Far Easte rn MB
MBs' percentage in inflation	%	2021	100	34	11	12	14	13	11	5
Inflation	% YoY	Jun21	6.5	6.4	6.6	6.7	7.3	6.1	6.8	5.4
Core inflation	% YoY	Jun21	6.6	6.6	6.7	7.1	6.7	6.3	6.6	4.9
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.										
Industrial production	3MMA, % YoY	May21	3.3	12.9	-1.5	4.4	7.8	3.4	-5.4	-2.1
Fixed capital investment	Cumulative, % YoY	2021 Q1	5.6	12.5	-9.4	9.3	17.5	-0.8	11.1	-15.3
Construction	3MMA, % YoY	May21	2.3	11.6	-11.4	-0.5	-12.4	-8.6	16.0	-21.7
Housing commissioning	3MMA, % YoY	May21	10.8	0.2	10.3	18.2	20.2	22.2	29.0	-20.4
Retail	3MMA, % YoY	May21	4.6	7.9	10.6	2.0	7.5	2.5	3.5	7.7
Commercial services	3MMA, % YoY	May21	-3.0	-2.7	-4.8	-2.7	6.0	-3.4	-0.3	-16.8
Real wages	3MMA, % YoY	Apr21	7.1	9.4	5.2	6.1	4.8	4.5	5.0	6.5
Real disposable income	% YoY	2021 Q1	-0.8	0.2	0.2	-3.3	-3.7	-3.8	-3.7	-0.7
Outstanding consumer loans ²	% YoY	May21	14.1	12.7	14.0	14.6	13.9	14.5	16.1	15.1
Outstanding mortgage loans	% YoY	May21	27.2	30.6	27.4	24.5	30.5	22.6	24.3	28.0
Non-financial organisations' outstanding bank loans	% YoY	Apr21	8.1	8.6	9.0	2.9	5.7	6.7	-3.4	38.7
• Large borrowers	% YoY	Apr21	5.3	6.9	-0.6	-1.9	3.0	4.6	-8.8	44.4
• SMEs	% YoY	Apr21	24.8	21.7	63.0	20.3	13.6	23.4	22.6	19.7
Companies' price expectations ³	Balance of responses, SA	Jun21	27.6	37.9	27.2	32.6	22.3	24.0	27.2	21.3
Business Climate Index	pp YoY	May21	15.6	18.0	14.4	17.6	15.0	12.3	14.8	14.0
• Current estimates	pp YoY	May21	24.4	26.5	22.9	26.3	27.3	20.6	23.3	17.8
• Expectations	pp YoY	May21	5.3	7.9	4.8	7.5	0.3	3.0	5.0	9.6

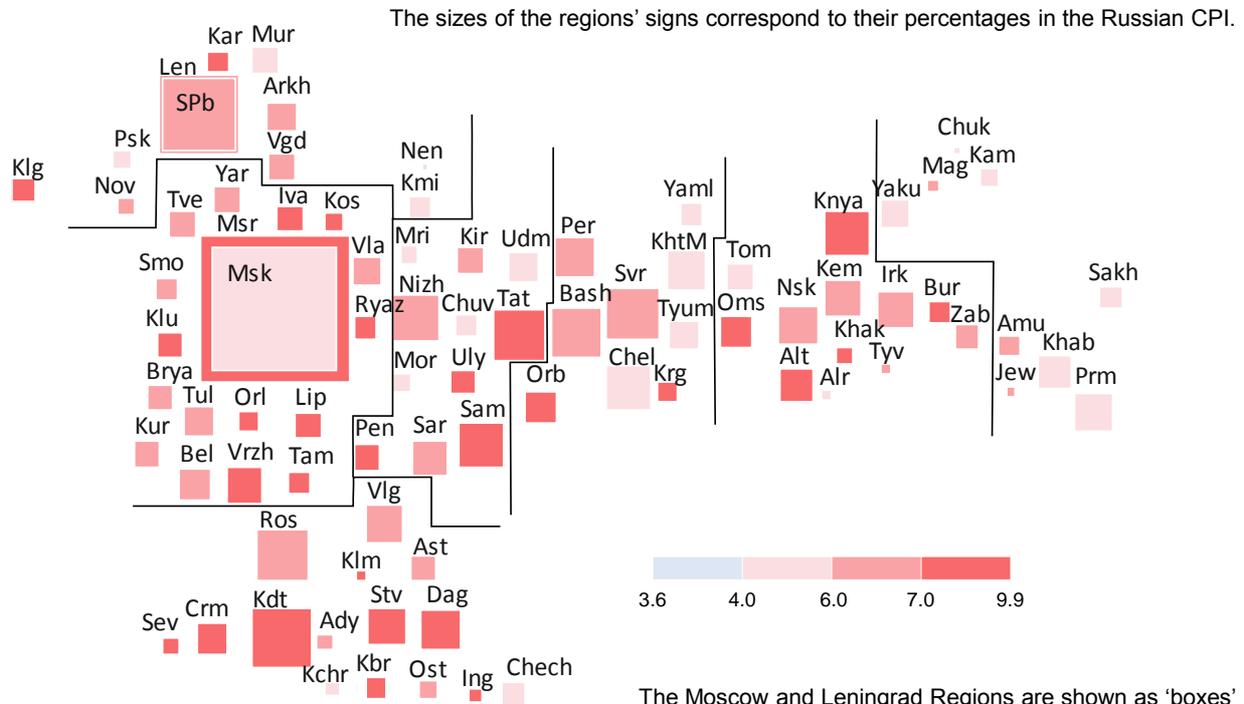
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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 June 2021, % 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	Kmi	Republic of Komi	Ryaz	Ryazan Region
Alt	Altai Territory	Kos	Kostroma Region	Sam	Samara Region
Alr	Altai Republic	Knya	Krasnoyarsk Territory	Sar	Saratov Region
Amu	Amur Region	Kdt	Krasnodar Territory	Sakh	Sakhalin Region
Arkh	Arkhangelsk Region (excluding Autonomous Area)	Crm	Republic of Crimea	Svr	Sverdlovsk Region
Ast	Astrakhan Region	Kur	Kursk Region	Sev	Sevastopol
Bash	Republic of Bashkortostan	Krg	Kurgan Region	Smo	Smolensk Region
Bel	Belgorod Region	Kchr	Karachay-Cherkess Republic	SPb	Saint Petersburg
Brya	Bryansk Region	Len	Leningrad Region	Stv	Stavropol Territory
Bur	Republic of Buryatia	Lip	Lipetsk Region	Tam	Tambov Region
Vla	Vladimir Region	Mag	Magadan Region	Tat	Republic of Tatarstan
Vlg	Volgograd Region	Mari	Mari El Republic	Tve	Tver Region
Vgd	Vologda Region	Msr	Moscow	Tom	Tomsk Region
Vrzh	Voronezh Region	Mor	Republic of Mordovia	Tul	Tula Region
Dag	Republic of Dagestan	Msk	Moscow	Tyv	Republic of Tyva
Jew	Jewish Autonomous Region	Mur	Murmansk Region	Tyum	Tyumen Region (excluding Autonomous Areas)
Zab	Zabaikalye Territory	Nen	Nenets Autonomous Area	Udm	Udmurt Republic
Iva	Ivanovo Region	Nizh	Nizhny Novgorod Region	Uly	Ulyanovsk Region
Ing	Republic of Ingushetia	Nov	Novgorod Region	Khab	Khabarovsk Territory
Irk	Irkutsk Region	Nsk	Novosibirsk Region	Khak	Republic of Khakassia
Klm	Republic of Kalmykia	Oms	Omsk Region	KhtM	Khanty-Mansi Autonomous Area – Yugra
Klu	Kaluga Region	Orb	Orenburg Region	Chel	Chelyabinsk Region
Kam	Kamchatka Territory	Orl	Orel Region	Chsch	Chechen Republic
Kar	Republic of Karelia	Ost	Republic of North Ossetia–Alania	Chuv	Chuvash Republic
Kbr	Kabardino-Balkar Republic	Pen	Penza Region	Chuk	Chukotka Autonomous Area
Kem	Kemerovo Region – Kuzbass	Per	Perm Territory	Yaku	Republic of Sakha (Yakutia)
Kir	Kirov Region	Prm	Primorye Territory	Yaml	Yamalo-Nenets Autonomous Area
Klg	Kaliningrad Region	Psk	Pskov Region	Yar	Yaroslavl Region
		Ros	Rostov Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In June, Central Russia observed a slowdown in the growth of consumer activity, primarily in services, as the epidemic situation in the Moscow metropolitan area worsened and the authorities had to tighten anti-pandemic restrictions. Nonetheless, companies are still optimistic about demand. Since enterprises again transferred a part of people to remote work, the structure of consumer demand changes anew. Inflation sped up, and companies' price expectations increased amid persistently rising costs.

CONSUMPTION AND INCOMES

The active rebound of consumption, which was generally typical of the macro-region, slightly slowed down in June due to the worsening epidemic situation. The main drag was the Moscow metropolitan area where the new wave of coronavirus cases started earlier. The reintroduction of restrictions affected services most significantly. Shopping mall traffic decreased.

In this context, consumer preferences changed. As some people were again transferred to work from home, sales of electronic devices for remote work surged, whereas passenger flow in public transport contracted.

Households opt for the economy segment which is expanding. Thus, Smolensk opened an online hypermarket (dark store) of electronic devices and household appliances, and the Moscow metropolitan area is planning to open first discounters of a Dutch retail chain. Due to higher inflation expectations, households increased large purchases, including using borrowings.

Consumption is supported by wage growth. Real wage growth in the metropolitan area, the Kaluga, Vladimir, Kostroma and Kursk Regions exceeded the Russian average rate.

Retailers remain optimistic, which is evidence that businesses have adjusted to the pandemic conditions. As Moscow toughened anti-pandemic restrictions, catering enterprises

started to arrange coronavirus-free zones beginning from June.

PRICES

Seasonally adjusted inflation in the macro-region continued to accelerate in June. This was driven by a later harvest of fruit and vegetables and the growth of both inbound and outbound tourism. Prices in global commodity markets are still rising, due to which inflation and inflation expectations in the macro-region remain elevated in July.

As grain prices rose, a large milk producer in the Yaroslavl Region expects that output prices for its products will go up.

Companies' price expectations in the macro-region trended upwards in June, primarily in mining, manufacturing, and retail. This was mostly driven by higher costs for raw materials and services.

MONETARY CONDITIONS AND BANKING SECTOR

As before, the growth rate of corporate lending in the macro-region exceeded the Russian average. However, companies' estimates of borrowing conditions continued to lower in May, which was associated with the tightening of price conditions by credit institutions in 2021 Q2. Banks still preferred more reliable clients with high credit ratings.

In June, Moscow-based institutions issued a record-high amount of loans under the government subsidised mortgage lending programme. The demand for subsidised mortgage loans surged because of the changes to this programme to become effective in July 2021 (the interest rate will be raised and the maximum loan amount will be reduced). Nonetheless, the market will be supported by the government subsidised Family Mortgage programme: beginning from July, families having one child are eligible for loans under this programme (nearly two-thirds of new housing buyers in Moscow).

METALLURGY AND METAL PROCESSING

The macro-region accounts for over 60% of iron ore mining and processing in the country (predominantly, the Belgorod, Lipetsk, and Kursk Regions). In January–April 2021, shipments in this market segment increased 2.2 times year-on-year. Contrastingly, output in other areas of the macro-region edged up as little as 15% year-on-year. Amid higher global prices, the macro-region increased exports of metallurgical raw materials. According to customs statistics, the macro-region expanded foreign trade in ferrous metals over 2021 Q1 by 13% year-on-year. Enterprises of the Belgorod and Lipetsk Regions accounted for over a half of exports.

According to surveys of the macro-region's companies, domestic demand for metallurgical products and metalware continues to rise as prices are expected to grow further. Price expectations in these industries remain elevated, with nearly a half of metal processing enterprises planning to further raise prices for their products.

HORECA MARKET

As the epidemic situation normalised in spring 2021, this boosted the demand for hotels and public catering and revenue growth in this sector. Occupancy rates in hotels in the tourist

cities of the Golden Ring of Russia exceeded 80% in May. However, in June when the epidemic situation worsened, the authorities had to toughen restrictions, which primarily affected the HoReCa market in the metropolitan area. According to public catering companies, this caused an outflow of guests and reduced their revenues. A part of enterprises increased the number of summer terraces, refocused on the takeaway model, and expanded deliveries. As of the end of June, nine regions of the Central Federal District made decisions to vaccinate 60% of employees engaged in retail, public catering, and services.

Growing demand for domestic tourism and higher costs needed to comply with tightened anti-pandemic restrictions were the main reasons why HoReCa prices continued to rise fast. Price growth in this sector will be contained by growing demand for reopening tourist destinations abroad, strengthening competition, and the implementation of government support measures.

MARKET OF CONSTRUCTION MATERIALS. REPAIR SERVICES

Prices for construction materials started to rise back in late 2020, driven by higher demand for countryside housing demonstrated by residents of large cities. According to market participants' estimates, annual growth of prices for various types of construction materials ranged from 40% to 200% by June 2021. Due to higher global prices for raw materials and effective restrictions, manufacturers were unable to satisfy demand completely. They are going to expand their production capacities to be able to satisfy demand. Namely, a plant in Ryazan will launch a line to process old polymer roofing membranes.

Higher prices for construction materials spurred by increased demand and disruptions in production and logistics chains were one of the main drivers of prices for housing repair services.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



As the tourist flow surged in the macro-region, this supported consumer activity and increased occupancy rates and prices in hotels. Mining and quarrying recorded a rise in output, mostly driven by an increase in oil production. Vehicles output generally expanded, although car production was still below the pre-pandemic level. The food industry built up output, including by implementing new investment projects. Companies' price expectations remained elevated.

CONSUMPTION AND INCOMES

Higher consumer activity in the North-Western macro-region was predominantly driven by the increase in the tourist flow in Saint Petersburg, the Republic of Karelia, and the Kaliningrad Region. In addition to restrictions on foreign travel, this rise was also promoted by the additional non-work days in May and the government programme of compensation for children's summer vacation launched at the end of May.

As Saint Petersburg hosted the St Petersburg International Economic Forum and Euro-2000 football matches, this was also a considerable one-off factor boosting demand. Furthermore, HoReCa accounted for the largest portion of football fans' expenses which considerably increased as compared to the 2018 FIFA World Cup.

Nevertheless, consumer activity growth in the macro-region, just as in Russia in general, slowed down in May–June. Households maintained the demand for online purchases. For most consumers, discounts and special offerings were one of the main reasons why they preferred particular online stores. In the near future, retailers expect demand growth to edge down.

PRICES

Annual inflation in the North-Western Federal District sped up to 6.6% in June 2021, from

5.9% in May. This was mostly associated with lower supply of some fruits and vegetables and the still elevated demand for a number of non-food goods and services amid an increase in input costs.

Manufacturing, trade and construction companies raised their price expectations in June, predominantly due to higher prices for raw materials and growing demand. A regional storage equipment manufacturer faced challenges performing its contracts due to the continuing rise in metal prices.

A large sawn lumber manufacturer is going to raise prices because the demand for construction and repair materials goes up. More construction companies mention higher demand as the reason behind their plans to raise prices.

Contrastingly, price expectations in services declined. This was associated with the end of the international events hosted by Saint Petersburg in June.

MONETARY CONDITIONS AND BANKING SECTOR

Corporate lending continued to support businesses. A large pulp and paper enterprise concluded an agreement (the first one in Russia) for financing an export contract using an electronic exporter financing platform created within a project of two Russian banks.

Mortgage lending in the macro-region, just as across Russia in general, expanded faster than consumer lending. According to a regional developer, the demand for mortgage loans was most significant in Saint Petersburg at the end of June as the conditions of the government subsidised mortgage lending programme were to change from 1 July. Developers in Saint Petersburg, jointly with banks, prepared mortgage subsidy programmes to attract buyers after the amendments to the government support programme became effective.

Household deposits increased in May (in annualised terms). A large regional bank offered a traditional seasonal deposit at a higher interest rate preferred by over 70% of customers (according to the bank).

MINING AND QUARRYING

In May, the macro-region expanded output in mining and quarrying (in annualised terms), predominantly by increasing crude oil production (the latter became possible after the OPEC+ cuts were eased).

A leading Russian iron ore mining and processing company built up its output and expects the situation to remain stable in the near future. The Leningrad Region increased gravel mining to construct a new Moscow–Kazan high-speed motorway and to cover the needs of the railway network. A large apatite-nepheline ore mining enterprise implemented a system (new technology in Russia) for remote telemetry drilling.

MANUFACTURE OF VEHICLES

The output of vehicles expanded primarily as a result of an increase in the production of other vehicles, specifically in shipbuilding.

Conversely, car output still did not bounce back to the 2019 level. Large carmakers in Saint Petersburg complained about persistent component supply problems and regular delays in component supplies by sea transport. The latter forced them to use air transportation, which increased their costs.

Despite some difficulties, carmakers in the macro-region continue to implement their investment projects. Specifically, the leading automobile enterprise of the federal district started to produce a new model in July which became the most localised one in its product range.

SERVICES

The demand for public catering continued to rise, with the highest growth rates demonstrated by tourist regions, including Saint Petersburg, the Kaliningrad Region, and the Republic of Karelia. Restaurants in the Kaliningrad Region reported full occupancy owing to the increased tourist flow.

The average daily rate of North-Western hotels in May exceeded the level recorded in May 2019. Some regions, experiencing a shortage of hotels, were developing new accommodation types: glamping (glamorous camping) and green hotels. The macro-region launched a loyalty programme for tourists travelling along the Silver Necklace of Russia, which will further promote the demand for tourism and the development of the service sector in the North-Western macro-region.

However, as the epidemic situation worsened in June, some regions of the federal district postponed cultural events.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



Economic activity in the Volga-Vyatka macro-region increased, as a result of which overall output exceeded its pre-pandemic level of 2019 Q4. Businesses significantly improved their estimates of current demand. Only the service sector, affected by the worsening epidemic situation, did not bounce back completely. Furthermore, companies became less optimistic about changes in the economic situation. As demand and costs rose, consumer price growth sped up and enterprises' price expectations remained high.

CONSUMPTION AND INCOMES

In April–May, retail turnover (seasonally adjusted) in the Volga-Vyatka macro-region expanded compared to Q1 and stabilised above the pre-pandemic level of late 2019. According to surveys, retailers' estimates of current demand and turnover improved more significantly in April–May than generally across the country. The demand for non-food goods remained elevated. However, after a considerable rise in April, retailers started to lower their expectations regarding next three months sales in May.

Consumption of services remained notably below the pre-pandemic level in May. As restrictions were tightened in June, this again decelerated the recovery of consumption. Specifically, after one of the regions introduced new requirements for visiting public places, some theatres had to terminate the season earlier than usual. Moreover, the Nizhny Novgorod State Circus was closed and resumed its work only at the end of February 2021. Cinemas requested regional authorities to suspend their operation to be able to agree with their lessors upon a decrease in rental payments due to the forced downtime. Restrictions do not affect public catering, but representatives of the industry consider that a potential expansion of these measures will drastically reduce their revenues and might force them to close restaurants temporarily. The

region had earlier introduced restrictions on restaurants' work at night, due to which businesses suffering financial difficulties proposed a QR code-based system to accept visitors. Some hotels complained about a slump in revenues at the end of June due to the cancellation of business trips in large companies.

PRICES

In May–June, annual inflation accelerated anew, after a slowdown in April, reaching 6.7% in June. This was largely associated with a faster rise in prices for construction materials, cars, and travels to Turkey. Contrastingly, monthly inflation was below the Russian average rate.

Businesses' price expectations, including in retail, remained high in June. Significantly more trade companies started to mention higher demand as a reason for growing prices.

As before, surveyed companies in the macro-region complained about higher costs, namely expenses for motor fuels. A number of food industry enterprises reported that prices for package materials continued to rise, which seriously influenced prices for their products. Agricultural enterprises recorded an increase in prices for machinery spare parts, as well as for fertilisers and herbicides. As reported by regional livestock breeding complexes, the

impact of the epizootic situation on prices for meat products was exhausted.

MONETARY CONDITIONS AND BANKING SECTOR

In recent months, lending to Volga-Vyatka households continued to expand, hitting new record highs. Mortgage lending exceeded the level of 2019 Q4 almost twice. However, regional banks and developers expect the number of mortgage transactions to decrease because of the changes to the subsidised mortgage lending programme.

OIL REFINING

Beginning from April, the overall output of Volga-Vyatka oil refineries started to exceed pre-pandemic readings, reaching a record high. This was mostly driven by investment projects implemented at the macro-region's largest oil refineries.

In May, one of the refineries commissioned a plant for processing heavy petroleum oil into a high octane gasoline blending agent, diesel fuel feedstock, and petrochemicals. According to the refinery, it will thus increase its gasoline output by a third. In 2021, the enterprise plans to commission several more plants, which will enable it to build up the volume of refined oil 1.5 times as compared to 2019.

In June, another large oil refinery also commissioned a plant to increase its gasoline output. According to the company, initially it had planned the commissioning last year, but had to

reschedule it due to the pandemic. In autumn, the refinery plans to commission another plant to expand its diesel fuel output.

MACHINE-BUILDING

In recent months, Volga-Vyatka built up investment goods output and imports. Companies reported that this growth was boosted by higher demand for machines and equipment.

A large cooling equipment manufacturer noted that the production increase was driven by the output of goods for retail chains located in Russia and the CIS. A company manufacturing windmill blades expanded supplies of its goods to the southern regions of Russia and exports to Denmark. A leading special machinery manufacturer reported surging demand for bulldozers and tractors in mining and quarrying and in agriculture.

A rise in engineering imports was mostly concentrated in manufacturing industries largely contributing to economic growth in the Volga-Vyatka macro-region in recent months. Specifically, oil refineries significantly increased their purchases of industrial equipment, which can be explained by the commissioning of new plants by a large company operating in the macro-region. Leading auto groups demonstrated higher demand for components, which was associated with both an increased output of existing models and the planned launch of the production of new ones.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



The estimates of the economic environment in the macro-region worsened, especially in construction, transportation, and storage. This was caused by the deterioration of the epidemic situation amid lower vaccination rates than generally across Russia. Companies were still positive about output and demand, but less optimistic than before. Consumer activity growth was supported by lending and the labour market recovery. Due to a rise in input prices for raw materials and components and a later harvest of vegetables, consumer price growth continued to speed up.

CONSUMPTION AND INCOMES

Consumer activity continued an upward trend in May–June, mostly driven by an inflow of tourists from other Russian regions, as well as wage rises in trade, hotel business, and public catering associated with high demand for labour.

According to an HR portal, the ratio of CVs and vacant jobs in the Southern macro-region is higher than across Russia in general, which is explained by a fast recovery of economic activity. The Krasnodar Territory is among the Top-3 Russian regions preferred by labour migrants.

Regional retailers report that households, expecting prices to rise further, increased the demand for home improvement goods, construction materials, and household appliances.

The demand for residential property in the macro-region's resorts also trended upwards. According to the Crimean leading developer, one-room flats are sold at the excavation stage during the first months after the start of sales.

PRICES

Annual inflation sped up to 7.3% in June. This acceleration was mostly due to a later harvest of vegetables coupled with the earlier than usual depletion of last year's harvest reserves. Prices for tourism services rose faster. As

global prices were up, manufacturers continued to pass through their higher costs to prices for certain product categories. According to a furniture manufacturer in the Krasnodar Territory, it has not yet passed the peak of the rise in prices for its products, which is associated with higher costs for components. Authorities implemented administrative measures to stabilise food prices. Six retail chains operating in the Republic of North Ossetia–Alania signed an agreement with the regional Ministry of Economic Development undertaking to sell a number of basic products with zero markups.

Businesses' price expectations hit a 2017 high, increasing most significantly in construction, trade, and industrial production.

MONETARY CONDITIONS AND BANKING SECTOR

Lending supported economic recovery. Corporate lending expanded primarily owing to large borrowers in storage, agriculture, and retail. Lending to SMEs also continued to trend upwards (partly due to government support measures), most noticeably in construction, architecture, and design.

The growth rate in retail lending remained the same as in the previous month, exceeding 2%. The rise in mortgage lending slowed down slightly due to higher housing prices.

Conversely, consumer lending growth accelerated, with its monthly growth rate reaching its May 2019 peak.

TOURISM

In June, the tourist flow and occupancy in collective accommodation establishments continued to trend upwards, exceeding 2019 readings. Demand increased most noticeably for resorts on the Azov–Black Sea coast and in North Caucasian regions, boosted by the tourist cashback programme and the expansion of post-coronavirus rehabilitation programmes. Health resorts and recreation centres of the Stavropol Territory reported the highest occupancy rates in June.

However, the Krasnodar Territory recorded an increasing number of cancelled reservations in recent weeks, which was associated with the tightening of requirements for tourists and the resumption of flights to Turkey. According to executive authorities' and a large regional tour operator's estimates, cancelled reservations for August and September totalled 10–20%. Other resorts in the Southern and North Caucasian regions reported that the demand for accommodation continued to rise. Companies consider that the normalisation of the situation in the industry will largely depend on the progress of the vaccination programme.

According to a business survey, the majority of companies in the industry do not plan to further increase prices in the near future, with only 20% of respondents reporting possible price rises.

INVESTMENT

Representatives of southern regions sought to conclude large contracts at the St Petersburg International Economic Forum. Specifically, the agreements signed on investment projects in the Krasnodar Territory, the Rostov and Astrakhan Regions, the Republic of Crimea, and the Republic of Adygeya totalled approximately 250 billion rubles (about 6.5% of all the agreements), which is almost 20% more than at the 2019 forum. The majority of the projects are aimed at the development of the tourism industry (hotel and resort construction). The largest project by the amount of funding is the modernisation of an oil refinery.

AGRICULTURE

The Southern macro-region started to harvest winter cereals. The harvesting campaign started later, but the grain harvest is expected to approximate 45 million tons, which is 10% more than last year.

Agricultural enterprises expect an increase in prices for the new harvest due to higher costs for seed grains, fertilisers, and crop protection chemicals. According to a federal distributor of the Stavropol Territory, prices for crop protection chemicals rose mostly due to higher global prices for active ingredient components. Some regions pay subsidies to partially compensate costs for mineral fertilisers. In addition, rice farms in the Krasnodar Territory reported a 20% increase in water rates as compared to last year.

BANK OF RUSSIA URAL MAIN BRANCH



The growth rate of industrial output in the Ural macro-region remained high owing to the environment in global commodity markets which was favourable for exporters and the implementation of large infrastructure projects in Russia. However, as coronavirus cases soared anew and price growth continued, businesses in all economic sectors started to lower their forecasts of further demand trends. High-frequency indicators of sales in retail and services adjusted downwards in June. The demand for loans remained high, partly due to the expected further tightening of borrowing conditions.

CONSUMPTION AND INCOMES

According to most retailers, current consumer demand generally bounced back to its pre-pandemic level. Retail chains reported that consumers continued to opt for low-price goods and special offerings. Wholesale companies selling a broad range of household goods noted that purchases made in June were mostly to cover basic and seasonal needs, just as in May. Demand in the automobile, computer and construction materials segments remained elevated. According to retailers' estimates, as households' inflation expectations were elevated, purchases of these goods were made using both savings and loans (from banks and microfinance companies). As price growth is uneven, consumers need more time to find the best offering.

The recovery in services slowed down. Most companies providing services to households do not expect any more that demand will grow as fast as in the previous month. Businesses are concerned about the reintroduction of restrictions in public catering, entertainment and leisure due to the worsening of the epidemic situation in the macro-region in June. The macro-region cancelled a number of mass cultural events and festivals and graduation parties and closed summer school camps, which affected businesses providing related services.

PRICES

In June, annual inflation in the Ural macro-region sped up to 6.05%. Prices edged up across a wide range of goods and services due to both higher demand and a rise in producer costs spurred by increased global prices.

According to a business survey, both producers of and companies purchasing raw materials expect that an upward trend in prices in many global markets might persist until the end of the year due to accumulated demand and supply gaps. Speaking of consumer prices, growth rates remain most significant in the sectors where consumers continue to realise pent-up demand (tourism and passenger transportation) or authorities implement demand support programmes (housing construction, car manufacture). As a result, businesses have the opportunity to pass through higher costs for raw materials and components to output prices more quickly.

MONETARY CONDITIONS AND BANKING SECTOR

The demand for loans remained high in June. Banks expect that the demand for SME and consumer loans will remain elevated until the end of the year. An additional contributor to mortgage lending growth was the expected tightening of the conditions of the government subsidised mortgage programme. According to banks, the portion of consumer loans issued

through online apps expanded. Lending to non-financial organisations was supported through subsidised programmes launched to aid SMEs and individual programmes for large corporate borrowers enabling them to refinance loans on more favourable terms.

PIPE PRODUCTION

Pipe products made in the Ural macro-region are mostly used in the development of new mineral deposits, drilling, and field and main pipeline laying. As the volumes of these types of works contracted due to oil production cuts, the output of pipes continued to trend downwards. Specifically, this was the reason why the Khanty-Mansi Autonomous Area–Yugra suspended the construction of a complex for manufacturing oil country tubular goods.

Costs for raw materials and output prices for pipes continued to grow. One of the companies reported that the price for plain-end drill pipes rose by 15% over the six months. Prices for polypropylene pipes and waterproofing materials for pipe installation increased by 30–40%. In summer, the housing and public utility segment and construction demonstrate high demand for pipes due to extensive repairs of heat supply systems and the installation of new supply pipelines. Materials for the current works are delivered at prices agreed upon in the contracts signed last year, and therefore costs of these companies rose less significantly by the moment. However, according to their estimates, they will have to adjust their costs for the next year decreasing the volumes of works. In this context, the key factors for planning pipe output are the results of the negotiations between metallurgical enterprises and the Russian Government regarding possible discounts for large social and infrastructure projects, as well as the measures taken to stabilise prices.

INFRASTRUCTURE CONSTRUCTION

The infrastructure construction industry in the Ural macro-region is dominated by projects implemented in oil and gas production and the

construction of highways and river bridges under state contracts. Active work continued at the earlier launched construction projects. The completion rate of the first processing line of the Arctic LNG 2 project reached 46% in June, and the berth is under construction. The progress of the construction of the airport in Tobolsk is 60%, with engineering and finishing works under way. Yekaterinburg completed the installation of bearing metal structures for the key facilities of the Universiade-2023: the Water Sports Palace and the Ice Arena. According to the contractors, long-term agreements and hedging helped them mitigate financial losses caused by higher metal prices. In June, the macro-region started the construction of a heat supply system for Universiade facilities to be accomplished by November 2021.

HOUSING CONSTRUCTION

According to the June survey of developers in the Urals accounting for approximately 40% of housing under construction, the main reasons for price growth in the market were higher costs for construction materials and equipment and a shortage of labour migrants. Since the outbreak of the pandemic, construction costs for apartment buildings increased by more than 10% (including an over 20% rise in prices for construction materials). Most developers consider that the key drivers of the demand for housing were low market rates and subsidised mortgage lending programmes which, among other things, caused a surge in investment demand.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In May–June 2021, most industrial sectors in Siberia restored their output to pre-pandemic levels or even above them. The exceptions were oil production and metallurgy where the decline was associated with non-economic factors (the OPEC+ deal and industrial accidents). The rise in electricity consumption sped up as compared to 2019. The volumes of housing construction and commissioning increased. Consumer demand exceeded pre-coronavirus levels, but its growth started to decelerate due to the introduction of new anti-pandemic restrictions. The agricultural industry completed sowing in due time, and harvest forecasts are optimistic.

CONSUMPTION AND INCOMES

The demand for construction materials and home improvement goods remained high. A construction company reported a rise in the demand for alcoves although prices for them almost doubled.

According to representatives of the hospitality industry, demand increased in June. Occupancy rates in most health resorts and tourist centres were high. Some health resorts faced cancellations of reservations due to the requirement to submit PCR test results increasing holiday expenses.

Public catering companies recorded a shift in guests' preferences towards simpler dishes, including fast food, and a reduction in the number of visits. Nonetheless, consumers did not stop to carry out banquets (graduation parties, weddings, and anniversaries).

Most companies did not change wages, except enterprises in mining and quarrying and in construction where wages were raised.

PRICES

Annual inflation sped up to 6.8% in June 2021. Cabbage, potato, carrot, beetroot and onion became more expensive due to higher prices for imported products of new harvest and the depletion of field vegetables in domestic producers' stocks. An increase in feed costs was reported by milk producers (a 50% rise in protein feed prices) and meat product

manufacturers (imported components and feed grains became more expensive by 30% on average).

Higher prices for construction materials made it difficult to fulfil contracts (there were suspensions of works).

Businesses' price expectations for the next three months remain elevated. Nearly one-third of companies planned to raise output prices, most significantly in agriculture, hotel business, and public catering. For the first time over the six months, trade and construction companies did not expect price growth to speed up.

MONETARY CONDITIONS AND BANKING SECTOR

In April, corporate lending expanded predominantly owing to large borrowers. Contrastingly, SME lending contracted, which was associated with the exhaustion of the limit under the SME Lending Programme (Resolution of the Government of the Russian Federation No. 1764).

In May, although interest rates edged up, consumer lending continued to increase. Mortgage lending growth slightly slowed down in May, which was probably due to the long non-work days.

Households' saving activity remained low.

COAL MINING

In June–July, coal enterprises reported a rather favourable environment in the market. According to a large coal producer, the global market still faces supply shortages which accelerates price growth. The company fulfils its obligations under the earlier signed agreements with lower prices, but exports all remaining product volumes as this has become considerably more profitable.

A thermal coal producer reported that it started to use its reserve equipment to build up output. As of the end of 2021, output should increase by a third.

This year, Russian consumers, fearing further price growth, started purchases for the new heating season earlier than usual.

A metallurgical coal producer considers that the industry's prospects are positive as steel output expands amid higher demand from Chinese metallurgical enterprises.

As coal business performance improved, this boosted investment. Specifically, a leading thermal and metallurgical coal producer reported that it bought a large lot of equipment amounting to 140 million US dollars.

FOOD INDUSTRY

Food industry enterprises recorded an increase in the demand for food products, driven by a rise in domestic tourism and exports expansion.

A large meat processing company noted a rise in the demand for mass segment products. Another meat product enterprise expanded its range of ready meals.

According to milk product manufacturers, output expanded in the majority of categories, including newly launched products.

Bread and bakery manufacturers reported a decline in the demand for mass market product

groups and an increase in the demand for high-margin products, including frozen semi-finished products.

Manufacturers of products based on Siberian nuts and berries noted that exports expanded.

METAL PRODUCTS

According to Siberian metallurgical companies, the market environment was favourable. The Siberian division of an aluminium holding company reported that its inventories at Siberian factories were at an optimal level at the moment, and output and sales volumes were well-balanced. There is a sustainable trend towards an increase in the portion of high value-added products and an efficient redistribution of metals (an expansion of the share of Asia and America). By the end of 2021, the macro-region plans to expand aluminium and alloy sales in Russia and the CIS by 20%.

Siberian aluminium enterprises are preparing for a large-scale environmental modernisation and the coming business separation – a spin-off of high carbon footprint assets into a separate company. One of the Siberian enterprises will start its upgrade already this year. It is going to dismantle old production buildings and construct new ones. Buildings will be replaced progressively, without interrupting aluminium production. This will help maintain output and prevent a staff reduction.

As reported by another producer of industrial metals, it reached the design capacity of the drowned mines and was restoring output. The company continues extensive investment in environmental modernisation and has already received the first batch of carbon-neutral metals.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



As coronavirus cases surged anew and some regions introduced new restrictions, consumer activity slowed down in June. Nonetheless, two-thirds of surveyed companies reported that demand bounced back to pre-pandemic levels. An increase in global trade flows caused a rise in transportation costs and freight turnover at a pace exceeding Russian averages. Persistently growing producer costs continued to contain economic activity. Wood processing enterprises expanded their investment in production capacities.

CONSUMPTION AND INCOMES

In June, consumer activity slowed down after a noticeable rise from the beginning of the year, which was faster than the Russian average growth rate. Consumer demand was affected by new restrictions introduced in some regions on the operation of service companies amid the resurgence of coronavirus cases. A number of public catering enterprises complained about decreased demand, due to which they offered bonuses to their customers, e.g., for coronavirus vaccination. Contrastingly, retailers predominantly recorded a rise in demand as compared to pre-pandemic levels. A considerable increase in orders in May–June, as compared to the beginning of the year, was reported by representatives of pickup points of an international online store, which was driven by an expansion of its product range (food products and construction materials).

Consumption was supported by real wage increases, which was associated with, among other things, staff shortages in such areas as construction and public catering.

PRICES

In June, seasonally adjusted price growth slowed down and remained at a lower level than generally across the country, as prices in the macro-region were less affected by higher producer costs. The growth rate of egg and sunflower oil prices decelerated most

significantly, partly as a result of the administrative measures. The rise in air fares also slowed down after a surge in previous months. As the growth of motor fuel prices subsided, fewer companies mentioned this factor as a reason for an expected increase in output prices. Contrastingly, prices for construction materials started to rise faster, fuelled by higher domestic demand.

Companies raised their price expectations in June, most significantly in agriculture due to soaring prices for seed, fertilisers and feed, and in retail because of growing input prices. Fish product manufacturers are going to raise prices due to higher costs.

MONETARY CONDITIONS AND BANKING SECTOR

Although interest rates declined, corporate lending growth slowed down in April as compared to March, which was because banks maintained rather tight requirements for borrowers. SME lending also decelerated to 2019 readings, which was associated with the end of subsidised lending programmes. However, regional microcredit companies offered new products to businesses at reduced interest rates.

The growth rate of retail lending (including consumer and mortgage lending) edged down in May as interest rates were raised. The portion of mortgage loans in the retail portfolio

contracted since the beginning of the year. This was caused by the persistent growth of housing prices and limited supply in the primary market. Supply growth will be driven by the implementation of the large-scale housing project Far Eastern Quarter.

CARGO TRANSPORTATION

In May, Far Eastern ports recorded a faster increase in dry cargo transshipment than generally across Russia. In June, importers again faced a shortage of containers for supplies from China, including due to the suspended operation of the southern ports for several days caused by a burst of coronavirus cases. Consequently, tariffs for transportation to Far Eastern ports rose in the second half of June by 20% as compared to late May and by 50% from the beginning of the year. To mitigate the adverse impact of the situation, importers are purchasing their own containers. In order to speed up the rerouting of empty containers to China, transport companies increased charges for their return to Vladivostok threefold if containers were left not in delivery locations. As cargo traffic through ports increased, container shipments to Russia on the Far Eastern Railway almost doubled in May as compared to 2019. Coal shipments increased twofold, driven by high demand in China and the easing of most restrictions at border checkpoints.

WOOD PROCESSING

From July, logging companies will have to pay an export duty on timber products if their humidity exceeds established limits. Moreover,

the industry expects a ban to be imposed on raw timber exports. In this context, large enterprises reported that they expanded investment in processing and drying capacities, whereas small companies noted that they lacked such opportunities. Due to higher costs, companies plan to increase prices for timber products in the coming months, although they have already doubled since March due to high demand from China.

Representatives of the industry expect that the ban on roundwood exports will cause a reduction in output as the domestic demand for raw timber is limited and a part of raw materials cannot be used to manufacture veneers and sawn lumber.

AGRICULTURE

Key agricultural regions reported a reduction in crop areas due to a large precipitation and excessive soil moistening. As roads were washed out in southern regions, it was impossible to take out agricultural machinery to the field, due to which potato, vegetable and soybean sowing was below targets. Agricultural enterprises decided to replace long-ripening varieties for early-ripening ones, which will also reduce the harvest. As a result, the Amur Region, which is the main region for soybean cultivation in the Far East, expects that the harvest of this crop will decline by a quarter as compared to the earlier planned volume. According to producers, the industry might be supported by the decrease in soybean export duties beginning from July. However, as harvest is expected to be below targets, this will be another driver of soybean price growth.

BOX 1.

SITUATION IN GLOBAL MARKETS AND EXTERNAL DEMAND SECTORS IN 2021 H1

At the end of 2020, global commodity markets recorded an unprecedented surge in prices, which continued in 2021. The main drivers were a fast recovery of economic activity worldwide amid accommodative monetary policy and the implementation of stimulus measures in advanced economies. Additional pressure was put by temporary disruptions in supply chains resulting from anti-pandemic restrictions and specific factors in certain markets. Following the growth of global prices, the rise in domestic producer prices also accelerated. The Russian Government took measures to contain the increase in internal prices for certain domestic products.

In late 2020–early 2021, demand in the world economy was quickly bouncing back. However, the expansion of supply was hindered by remaining anti-pandemic restrictions. The resulting demand and supply gap fuelled a surge in prices in global commodity markets and pushed up cargo transportation costs.

The impact of anti-coronavirus restrictions on Russia's industrial sector was less significant. As a result, Russian enterprises were able to build up exports in a number of product groups. Domestic supply of certain goods contracted, while consumer prices increased.

FUELS

Crude prices (Brent, WTI) in the global market bounced back to pre-pandemic levels in March 2021 and exceeded them already in June 2021. **This was promoted by the recovered demand for oil amid the easing of anti-pandemic measures in most countries and the effective OPEC+ oil product cuts.** Another contributor to price growth was the improvement of forecasts about the global economic recovery. However, despite the quick rebound, global oil consumption in May 2021 remained below May 2019 readings. **In these conditions, oil exports from Russia in May–June 2021 expanded year-on-year, while staying below the pre-pandemic level. Over this period, oil production in Russia**

continued to recover following the easing of the OPEC+ oil production cuts. Specifically, this year, a large oil holding company resumed the development of oil fields in the Volga Federal District, which are at the final stage of the development; the Arkhangelsk Region sped up production drilling; and Sakhalin plans to expand oil production. Contrastingly, oil producers in the Khanty-Mansi Autonomous Area–Yugra expect a full recovery of oil production in the region only by 2023.

Prices for gasoline, diesel and aviation fuels were rising following the increase in oil prices. Global gasoline and diesel consumption almost reached pre-pandemic levels, whereas aviation fuel consumption is still below these readings due to the remaining restrictions on international tourism where flight distances are longer than on domestic routes.

Fluctuations of petroleum product prices in the domestic market were weaker than in the global market owing to the damping mechanism ensuring the stability of motor fuel prices in the domestic market. In April 2021, gasoline output in Russia exceeded pre-pandemic levels. A leading petroleum product manufacturer of the Volga macro-region expanded high-quality fuel output in 2021. An oil refinery in the Leningrad Region plans to construct a complex for processing heavy oil residues, which will make it possible

to increase the oil refining depth and expand output.

Higher fuel prices coupled with a shortage of transport capacities (for details, refer to the report Regional Economy: Commentaries by Bank of Russia Main Branches, April 2021) **put significant pressure on cargo transportation costs.** The cost of transportation of a standard container along the sea route from China to Europe soared five times from October 2020 to early July 2021 and by a third – since May 2021. Transportation by road, rail, and air became more expensive as well.

In 2020–2021, trends in gas and coal markets were similar to those in the oil market. After the slump in 2020 Q2 due to the decline in demand caused by the pandemic, **world prices for natural gas and coal** quickly bounced back and continued to grow. **This upward trend was primarily driven by higher demand, which was partly associated with a very cold winter in the USA and Europe, and supply disruptions.** As a result, Russia considerably expanded its gas exports to Europe in 2021 H1 and built up gas output. In June 2021, prices in European gas hubs stayed at their record highs due to the abnormally hot weather, whereas gas volumes in gas holders declined to minimums. Higher demand helped Russian liquefied natural gas producers enter new markets in Asia, Africa, and Latin America. **In June 2021, global coal prices hit seven-year highs amid growing demand in the Asia-Pacific Region and Europe.** Furthermore, surveyed enterprises reported that public utility companies were making coal purchases ahead of schedule, fearing a further rise in prices for energy commodities. However, a large coal producer in the Siberian Federal District is concerned about the persistent uncertainty regarding high external demand and, accordingly, high prices. The company is ramping up production primarily employing its reserve capacities which were temporarily deactivated when demand was declining. Another driver of higher global demand for coal is the increased demand for metals.

METALS

Over the period from late 2020, the growth rates of global prices for ferrous and non-ferrous metals exceeded multi-year highs.

This acceleration was associated with a fast expansion of demand, driven by the recovery of the output of vehicles, household appliances and electronic devices, the launch of various infrastructure projects, and the ramp-up in the construction industry worldwide.

However, enterprises were unable to expand supply which had contracted in 2020 due to the pandemic. Supply growth was hindered by disruptions in metal supplies from a number of countries caused by a reduction in inventories and anti-pandemic restrictions, as well as accidents in pits in South Africa and Russia. Specifically, the flooding of the pits of the leading Russian nickel producer forced it to suspend ore mining.

As demand in the global market soared, metal exports from Russia expanded, while metal supply in the domestic market contracted. Namely, a large metallurgical enterprise in the Ural Federal District more than doubled its exports in 2021 H1, simultaneously reducing supplies to the domestic market. Manufacturers of in-store equipment in the Volga Federal District had to face a local deficit of metals. **As the market environment was favourable, Russian metallurgical companies increased their capacity utilisation rates.** Industrial enterprises reported that prices for ferrous metal products surged twofold and more in 2021. According to machine builders, the pass-through of higher metal prices to prices for end products is not over yet.

Russian metallurgical enterprises experienced a shortage of ferrous and non-ferrous scrap in 2021 H1. Specifically, an aluminium product manufacturer in the Ural Federal District recorded some cases in 2021 Q1 when scrap metal in the domestic market was more expensive than primary metal. The enterprise was forced to build up imports. Furthermore, a

ferrous scrap exporter in the Pskov Region reported that it redirected supplies to the domestic market.

In order to stabilise domestic prices, the Government of the Russian Federation made the decision to increase the effective export duties⁴ on metals and impose new ones.⁵ Metallurgical companies in the Volga and Ural macro-regions reported that the imposition of the new duties significantly changed the geography of supplies. Producers are doing their best to export as much products as possible before the effective date of the duties, whereas consumers suspended purchases expecting domestic prices to decline.

LOGGING AND TIMBER PRODUCTS

Higher performance in construction also boosted the demand for timber. Along with output contraction due to the pandemic, higher demand pushed up global prices which hit their record highs by May 2021.

In May 2021, the balance in the lumber market started to restore. The cost of lumber in the USA plummeted by 45% in June, which was caused by low demand for expensive timber.

The rise in global prices for timber and sawn lumber promoted the growth of Russian exports.⁶ In March–April 2021, furniture manufacturers recorded a shortage of sawn lumber and wood boards and a twofold increase in their prices as compared to June 2020.

In order to lower domestic prices, the Russian Government introduced a 10% export duty on certain product types from 1 July until the end of 2021. Beginning from 2022, the Government plans to prohibit exports of unprocessed or roughly

processed coniferous and valuable hardwood timber. The said measures, coupled with higher prices, accelerated the implementation of wood processing projects. In 2021, the North-Western, Siberian and Central Federal Districts sped up the implementation of a range of projects aimed at expanding the output of high value-added wood products, including plywood, sawn wood, and wood boards.

CHEMICAL INDUSTRY

The pandemic **spurred the demand for disposable packages for deliveries and for medical polymers** used in the manufacture of face masks, gloves, and sanitisers. According to the leading Russian chemical holding company, the demand for polymers will remain elevated at least until the end of the year. In 2021, chemical output worldwide bounced back fast, after the slump in 2020. **However, production capacities lagged behind growing demand, which caused a rise in global prices.**

As price trends were favourable, Russian manufacturers were able to ramp up chemical output in late 2020–early 2021. Specifically, the largest Russian polymer manufacturer reached full capacity utilisation at the end of 2020.

In June 2021, global prices for fertilisers hit their 2013 highs. Agricultural enterprises in the Southern and North-Caucasian Federal Districts complained that prices for fertilisers and other chemicals soared 1.5–2 times, as compared to spring 2020.

In October 2020, the Central Federal District launched the largest in Europe factory manufacturing crop protection chemicals that will cover up to one-third of the domestic demand for these products in the coming years.

⁴ In June, the Government changed the export customs duties on ferrous scrap and temporarily introduced (for 180 days) a combined export duty of 5%, but no less than 70 euros per ton (previously – 5%, but no less than 45 euros per ton).

⁵ From 1 August 2021 through 31 December 2021, the Government plans to impose a temporary duty on metals and metal products exported beyond the

Eurasian Economic Union. The basic duty rate will amount to 15%. Moreover, there will be established a specific part to be calculated as the minimum rate per ton of products.

⁶ According to the Federal Customs Service of Russia, export quantities of wood and sawn lumber surged by 19.5% in January–April 2021 year-on-year.

In 2021, the Volga Federal District started to produce raw materials for tires that had been previously imported.

AGRICULTURAL PRODUCTS

The growth of global prices for agricultural products in 2020 H2–2021 H1 was caused by a decline in harvest worldwide. Moreover, prices increased as a result of the global economic recovery and higher demand in certain countries. As a result, global food prices reached their 2013 highs in May 2021. For instance, according to the FAO, during the crop year 2020/2021, China and several other countries almost doubled their wheat imports to replenish state reserves to be used in the case of potential supply problems.

In 2021 Q2, global wheat prices declined as the estimates of future harvest improved and the risks of new restrictions lowered. However, they still significantly exceeded last year readings.

Although, the harvest in 2020 was considerably higher than domestic consumption, exports notably expanded amid high global demand. As a result, domestic prices for cereals also rose substantially. According to surveyed companies, persistently high output prices are associated, among other things, with the surge in costs for fuels, fertilisers, and chemicals.

In order to reduce prices, the Russian Government introduced export quotas and increased duties on grains beginning on 15 February 2021. On 2 June 2021, the Government introduced the grain damper.⁷

In the first half of the year, many commodity markets recorded an increase in prices. This was predominantly driven by higher demand which exceeded the potential to expand supply. To mitigate the impact of world prices on the domestic market, the Russian Government introduced damper mechanisms. Furthermore, high prices

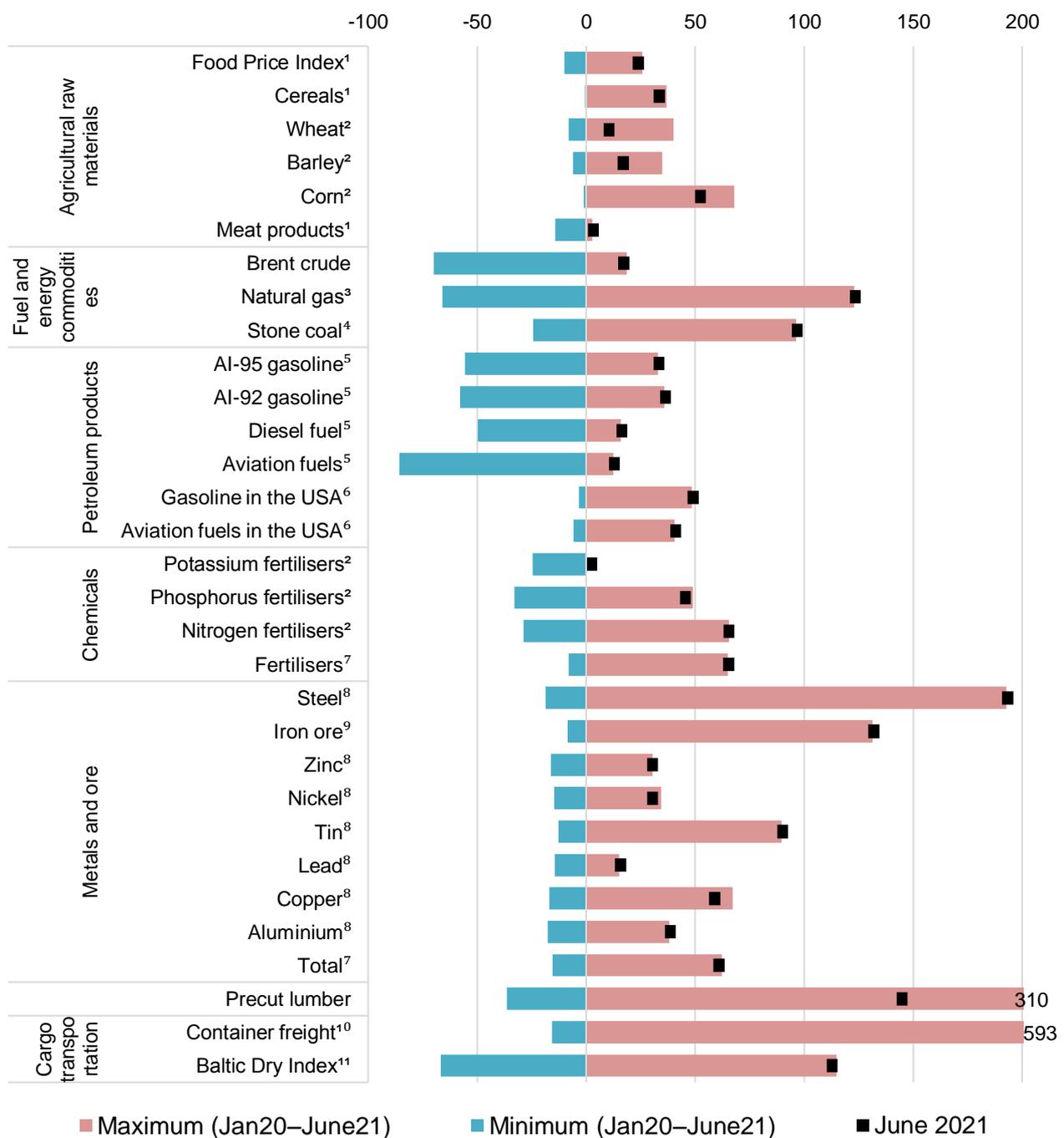
promote investment in new capacities to help companies adjust their output to steady changes in demand.

Currently, enterprises are passing through higher costs to consumer prices, which is evidenced by effective demand in many commodity markets.

⁷ The mechanism of the grain damper provides for a floating duty charged if export value exceeds 200 US dollars per ton. The duty rate will equal 70% of the

amount exceeding the price of 200 US dollars per ton. The cut-off price for corn and barley is 185 US dollars per ton.

Chart. Price indices in global commodity markets
(% growth on December 2019).



Sources: World Bank, FAO, Bloomberg, Saint Petersburg International Mercantile Exchange, CEIC.

¹ – FAO Food Price Index (FFPI)

² – Export prices in Black Sea ports

³ – Natural gas in the Netherlands

⁴ – Export price in Australia

⁵ – Exchange price on the Saint Petersburg International Mercantile Exchange

⁶ – Exchange price in the USA

⁷ – Composite price index, World Bank

⁸ – London Metal Exchange (LME)

⁹ – China freight price

¹⁰ – China – Europe freight cost

¹¹ – Baltic Dry Index (BDI)

BOX 2.

REBOUND IN REGIONAL LABOUR MARKETS IN 2021 H1

As the Russian economy revived in late 2020–early 2021 and the Russian government and regional authorities implemented measures to maintain employment, this boosted the demand for labour and increased the employment rate. The new conditions accelerated the development of digital services and online trade, spurred the demand for medical goods and services, which increased the demand for specialists in these areas and strengthened competition among regions. Some regional sectors faced a growing deficit of labour supply. Important contributors were a shortage of labour migrants and the uneven economic recovery in different industries (construction, agriculture, hotel and restaurant business).

As economic activity revived, **the demand for labour in Russia surged in 2021 H1**. This was evidenced by a considerable increase in employers' demand for staff recorded by employment agencies, including in services (public catering, culture, inbound tourism, sports, and entertainment; Chart 1). As a result, unemployment in Russia dropped from 5.8% in January 2021 to 4.9% in May 2021. Moreover, the number of officially registered unemployed persons decreased significantly, namely from 2.53 million in January 2021 to 1.36 million in May 2021. Among other things, this was promoted by the measures implemented by the Russian Government and regional authorities to maintain employment and households' incomes. These measures included:

- revision in 2020 Q4 of the procedure for paying unemployment benefits (setting a three-month limit on benefit payments in the maximum amount);
- promotion of self-employment;
- assistance in the organisation of temporary public works;
- employment of graduates, young people, and people with disabilities;
- free trainings for the unemployed, persons aged 50+, and women having kids; and

- expansion of opportunities for hiring people by organising their remote communication with employers and employment agencies.

The demand for labour and, consequently, the employment rate increased in 2021 H1 in the majority of the Russian macro-regions. Moreover, a number of sectors experienced staff shortages. As labour migrant flows, including from the CIS, did not restore completely, this remained a key factor impacting the extent of staff shortages.

The remaining restrictions on international travel and higher costs for transportation and official registration of labour migrants continued to hinder the recovery of the inflow of labour migrants to Russia. This inflow was still less intense than before the outbreak of the pandemic, which exacerbated staff shortages in the industries with a large share of low-skilled workers (construction, logging, agriculture, hotel and restaurant business, and passenger transportation).

Contrastingly, internal migration became more active. People started to more frequently move to regions with the best ratio in terms of wages and labour conditions. For instance, despite the demand for labour in the region of residence, people from some republics of the North Caucasus preferred to travel to the Krasnodar and Stavropol Territories, the Moscow, Rostov and Volgograd Regions, as well as Moscow and

Saint Petersburg to find job as these regions offer higher wages and a broader range of vacant jobs.

In addition to migration, the accelerated increase in the demand for certain professions remained another important factor of the local mismatch.

Thus, as work from home became widespread and employers hired specialists remotely in almost all industries, competition for IT specialists among regions and countries intensified. In this regard, employers (especially in the Central and North-Western macro-regions) started to more actively establish relations with universities to hire graduates having technical qualifications.

As online services became more popular, this boosted the demand for couriers, packers, and call centre employees.

The pandemic aggravated the shortage of medical staff (doctors of almost all specialties, middle and junior medical staff), drivers, dispatchers and other workers of the ambulance service. This shortage was dramatic in Yakutia, the Belgorod, Kurgan, Omsk, Orenburg and Tambov Regions, as well as in Sevastopol. These regions plan to launch a pilot project in November 2021 to test a new medical staff remuneration system. This project is aimed at aligning labour remuneration and eliminating the staff shortage in healthcare.

The demand for specialists having expertise in biotechnologies and virology also increased.

Some industries raised wages faster because of labour demand and supply gaps.

This trend is observed in construction, services, including communications and IT, agriculture, healthcare, and mining and quarrying (Chart 2). Furthermore, companies offered additional social support measures to potential employees, including transportation to job locations and back, meal allowance, compensation for travels across Russia to all family members, and the opportunity to learn at employers' expense. This trend was most typical of enterprises in the Urals, Siberia, the Far East, and the North-West.

The Irkutsk Region plans to establish specialised training centres to prepare specialists for the agroindustrial and oil and gas complexes.

Udmurtia launched the IT mortgage programme in 2021 to attract highly qualified IT specialists by enabling the latter to take out subsidised mortgage loans.

In order to address the problem of staff shortages in the hospitality industry, regional universities of the Kaliningrad Region launched new courses to prepare specialists for restaurant and hotel business and chefs. The Kemerovo Region increased the number of state-funded places at the medical university to fill a large number of vacancies in healthcare.

The problem of staff shortages intensified interregional and intersectoral competition for workers, especially in construction and services.

CONSTRUCTION

A ramp-up in housing construction supported by subsidised mortgage lending programmes, as well as the implementation of national projects amid an insufficient number of labour migrants in 2021 H1 aggravated the problem of shortages of both qualified and non-qualified workers in construction in all Russian macro-regions.

Crews from the eastern and southern regions of the country were extensively hired by construction companies in the Central and North-Western macro-regions where soaring housing prices made it possible to offer higher wages.

In these conditions, construction enterprises in the Volga-Vyatka, Ural and Siberian macro-regions also had to revise their wages. Specifically, a developer in the Samara Region increased wages in January–May 2021 by 50%, year-on-year. A subcontractor under a state contract in the Perm Territory raised wages above the regional averages and the level stipulated by the state contract. A construction company in the Tomsk Region

increased wages to low-skilled workers of the specialities where a deficit was recorded.

Furthermore, enterprises reported a transfer of staff to construction from other industries, first of all the service sector, including housing and public utility services. Agricultural companies of the Vladimir Region complained about resignations of machine operators and tractor drivers licensed to work on any special machinery and having relevant experience as they found jobs at the project for constructing the new Moscow–Kazan (M12) highway.

SERVICES

As a considerable portion of restrictions on mass events and the operation of public catering companies were lifted in 2021 H1 and the authorities promoted the development of inbound tourism by implementing the tourist cashback programme amid restrictions on foreign travel, this created favourable conditions for a significant rise in employment in the HoReCa industry.

The problem of shortages of cooks, waiters, and workers responsible for accommodation and services to guests was reported by enterprises in the Central, North-Western, Volga-Vyatka, Southern, Ural and Far Eastern macro-regions. Specifically, a public catering company in the Voronezh Region complained about a shortage of qualified cooks, although it offered wages exceeding the market average. Public catering companies and hotels in the Primorsky Territory also raised wages to cooks, waiters, and service staff to attract and hold employees.

A lot of employers explained staff shortages by the impact of the pandemic, namely the transfer of manpower to the industries less affected by restrictions, better adjusted to new conditions, and offering higher wages. Thus, according to companies in the Tyumen and Irkutsk Regions, shortages of cooks, barkeepers, and waiters were caused by the transfer of workers from this area to the construction industry offering higher wages.

Moscow restaurants reported that employers faced difficulties in this segment due to the introduction of the requirement for mandatory vaccination of at least 60% of the personnel and the restrictions on free visits to restaurants and cafés for non-vaccinated guests.

This situation requires a more active development of the food takeout service, online aggregators, and courier delivery services where staff shortages also remain a rather serious problem.

Some regions restored the demand for beauty and fitness services. According to the largest online HR company, the number of vacant jobs in the category ‘Sports clubs, fitness, and beauty salons’ in Central Russia surged by 79% since the beginning of 2021, as compared to the same period in 2020 (especially in the Bryansk, Belgorod, Ryazan, Kostroma, and Orel Regions). However, the complicated epidemic situation still hindered employment growth in this segment.

Travel agencies’ demand for labour remained low in all macro-regions as international tourist trips made the largest portion of this business, but they were suspended in 2020 and have not yet resumed in 2021.

MANUFACTURING

Even during the period of tight restrictions and a temporary reduction in the volume of works, manufacturing enterprises mostly tried to maintain the number of qualified specialists offering them to switch to part-time employment schemes.

The practice of part-time employment enabled most metallurgical and machine-building companies in the Ural, Siberian, and Volga-Vyatka macro-regions to respond rather fast to recovery trends in the domestic and global economies and promptly raise their capacity utilisation to the highest level.

In addition, many **employers noted that they increased labour intensity in response to higher demand for their products.** For instance, the leading car manufacturer in the Samara Region recording an increase in the

demand for its products introduced a six-day work week at its assembly plants in June. A large furniture manufacturer in the Kirov Region added the fourth work shift due to an expansion of output. The leading package manufacturer in the Chuvash Republic increased the number of work shifts from two to three. The largest regional meat processing company in the Republic of Buryatia raised the utilisation of its production capacities without changing the headcount in order to fulfil a contract with a country-wide retail chain. A confectionery factory in the Altai Territory, experiencing staff shortages amid higher demand for its products, increased the output rate per worker. As the workload on the available labour resources increased, the company raised wages.

A number of large metallurgical and wood processing enterprises in Siberia and the Urals improved labour productivity by deploying advanced equipment, which helped optimise labour costs.

Overall, regional data show that the demand for labour bounced back in 2021 H1, and some industries even experienced staff shortages. This was associated with both a deficit of labour migrants and higher demand for manpower in some sectors which exceeded pre-pandemic levels. In these conditions, competition for workers tightened at both the interregional and intersectoral levels, whereas labour intensity increased, which made companies raise wages.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	3.0	4.9	2.5	3.2	3.7	4.9	5.8	5.5	6.0	6.5
Core inflation	% YoY	3.1	4.2	2.6	2.9	3.3	4.2	5.4	5.5	6.0	6.6
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, %	3.4	-2.6	2.6	-6.7	-4.8	-1.6	1.8	2.8	3.3	
Fixed capital investment	Cumulative, %	2.1	-1.4	3.5	-1.8	-3.1	-1.4	5.6			
Construction	3MMA, %	2.1	0.1	2.8	-3.9	1.1	0.8	3.0	2.2	2.3	
Housing commissioning	3MMA, %	6.2	0.2	4.0	-17.0	7.7	2.2	14.8	11.5	10.8	
Retail	3MMA, %	1.9	-3.2	4.9	-15.1	-0.8	-1.7	3.5	4.2	4.6	
Commercial services	3MMA, %	0.5	-14.8	0.4	-34.6	-14.5	-10.4	-4.6	-2.8	-3.0	
Real wages	3MMA, %	4.8	2.5	6.2	-0.1	1.8	2.2	7.9	7.1		
Real disposable income	%	1.7	-2.6	2.1	-7.6	-4.1	-0.7	-0.8			
Outstanding consumer loans	% YoY	17.6	7.0	19.3	10.5	7.9	7.0	7.4	11.0	14.1	
Outstanding mortgage loans	% YoY	19.2	21.6	15.9	15.1	20.1	21.6	23.2	25.7	27.2	
Non-financial organisations' outstanding bank loans	% YoY	4.7	9.4	7.8	8.5	10.0	9.4	7.2	8.1		
• Large borrowers	% YoY	3.5	7.4	7.2	8.0	7.6	7.4	4.4	5.3		
• SMEs	% YoY	12.9	21.9	11.8	11.9	25.5	21.9	24.6	24.8		
Companies' price expectations	Balance of responses, SA	10.2	16.5	13.4	16.9	16.0	19.6	19.6	25.0	26.8	27.6
Business Climate Index	pp YoY	1.0	-8.0	-9.5	-14.7	-1.9	-5.9	11.5	30.8	15.6	
• Current estimates	pp YoY	0.5	-7.9	-6.7	-19.0	-1.1	-4.9	8.4	40.4	24.4	
• Expectations	pp YoY	1.5	-7.9	-12.4	-9.5	-2.6	-6.9	14.7	19.8	5.3	

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

Core indicators. Main Branch for the Central Federal District

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	3.0	4.7	2.3	3.1	3.5	4.7	5.7	5.5	6.0	6.4
Core inflation	% YoY	3.2	4.2	2.5	2.8	3.1	4.2	5.5	5.6	6.1	6.6
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	7.4	5.2	5.1	-3.7	3.7	12.0	15.9	14.1	12.9	
Fixed capital investment	Cumulative, % YoY	15.0	-3.4	0.7	-5.4	-7.6	-3.4	12.5			
Construction	3MMA, % YoY	4.9	10.8	3.4	-1.4	14.6	20.1	5.9	10.7	11.6	
Housing commissioning	3MMA, % YoY	8.1	-0.8	1.7	-32.7	-17.1	26.0	2.6	-1.6	0.2	
Retail	3MMA, % YoY	2.3	-2.1	5.5	-15.0	1.5	-0.3	6.2	7.1	7.9	
Commercial services	3MMA, % YoY	2.7	-18.6	2.2	-38.8	-20.5	-16.0	-9.2	-4.8	-2.7	
Real wages	3MMA, % YoY	6.2	3.4	7.6	-1.2	2.6	4.4	10.4	9.4		
Real disposable income	% YoY	2.8	-2.7	1.6	-8.8	-3.6	0.0	0.2			
Outstanding consumer loans	% YoY	17.3	5.2	18.9	9.2	6.4	5.2	5.7	8.8	12.7	
Outstanding mortgage loans	% YoY	24.2	24.4	20.4	18.0	22.9	24.4	25.4	28.6	30.6	
Non-financial organisations' outstanding bank loans	% YoY	4.4	11.1	9.4	11.2	13.0	11.1	8.4	8.6		
• Large borrowers	% YoY	2.6	10.6	8.9	11.2	11.9	10.6	7.0	6.9		
• SMEs	% YoY	20.5	15.2	14.0	11.7	22.9	15.2	20.2	21.7		
Companies' price expectations	Balance of responses, SA	11.9	18.7	14.6	18.9	18.3	23.2	23.3	32.6	35.4	37.9
Business Climate Index	pp YoY	-0.1	-7.2	-8.5	-15.6	0.4	-5.2	11.1	33.9	18.0	
• Current estimates	pp YoY	-0.6	-7.3	-3.8	-21.5	0.8	-4.6	7.5	43.6	26.5	
• Expectations	pp YoY	0.5	-7.1	-13.7	-8.7	-0.1	-5.9	15.2	22.8	7.9	

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

Core indicators. North-Western Main Branch

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	3.0	4.8	2.9	3.1	3.6	4.8	5.4	5.2	5.9	6.6
Core inflation	% YoY	3.2	4.0	2.9	2.8	3.4	4.0	5.2	5.2	6.0	6.7
<p>The shaded lines present 2021 data compared against the same period in 2019. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	3.4	-3.0	1.5	-8.3	-5.0	-2.1	1.2	-0.7	-1.5	
Fixed capital investment	Cumulative, % YoY	-15.9	-0.3	-12.0	-7.6	-3.2	-0.3	-9.4			
Construction	3MMA, % YoY	-9.4	-10.2	2.4	-4.7	-12.5	-18.5	-17.4	-16.1	-11.4	
Housing commissioning	3MMA, % YoY	-1.3	-2.9	-23.8	-14.8	36.7	-8.4	38.7	11.8	10.3	
Retail	3MMA, % YoY	2.0	0.2	6.8	-11.0	3.0	2.2	7.7	9.6	10.6	
Commercial services	3MMA, % YoY	0.0	-14.9	-1.8	-32.4	-15.2	-9.9	-5.5	-4.1	-4.8	
Real wages	3MMA, % YoY	4.1	2.1	4.3	-1.5	1.0	0.3	4.8	5.2		
Real disposable income	% YoY	0.6	-1.0	2.7	-3.1	-2.8	-0.7	0.2			
Outstanding consumer loans	% YoY	18.4	6.9	19.5	10.3	7.7	6.9	6.9	11.2	14.0	
Outstanding mortgage loans	% YoY	21.5	22.0	17.7	16.3	21.0	22.0	23.1	25.9	27.4	
Non-financial organisations' outstanding bank loans	% YoY	3.0	9.2	-0.6	-0.8	1.6	9.2	9.1	9.0		
• Large borrowers	% YoY	3.0	1.9	-0.3	-1.7	-5.2	1.9	0.0	-0.6		
• SMEs	% YoY	3.3	52.1	-2.4	3.8	47.0	52.1	60.6	63.0		
Companies' price expectations	Balance of responses, SA	11.1	17.0	13.3	18.7	16.4	19.9	20.0	24.4	26.6	27.2
Business Climate Index	pp YoY	0.4	-7.6	-9.9	-12.2	-2.0	-6.4	11.0	31.3	14.4	
• Current estimates	pp YoY	0.2	-8.0	-7.8	-17.4	-1.3	-5.4	9.7	39.5	22.9	
• Expectations	pp YoY	0.5	-7.1	-12.0	-6.3	-2.8	-7.4	12.3	21.9	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

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	2.8	5.5	2.6	3.5	4.1	5.5	6.2	5.9	6.4	6.7
Core inflation	% YoY	3.1	4.7	2.8	3.2	3.6	4.7	5.9	6.0	6.6	7.1
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	2.8	-4.1	1.4	-10.5	-2.8	-3.8	2.3	3.9	4.4	
Fixed capital investment	Cumulative, % YoY	0.6	-3.8	-0.9	-5.3	-7.0	-3.8	9.3			
Construction	3MMA, % YoY	2.8	-2.3	2.7	0.7	-1.8	-7.5	-9.2	-3.4	-0.5	
Housing commissioning	3MMA, % YoY	5.9	-5.8	7.1	-17.3	12.7	-18.0	25.7	24.0	18.2	
Retail	3MMA, % YoY	1.1	-4.4	4.3	-13.9	-2.9	-4.5	-0.1	1.1	2.0	
Commercial services	3MMA, % YoY	0.2	-11.6	-0.9	-28.5	-10.8	-6.9	-1.5	-1.8	-2.7	
Real wages	3MMA, % YoY	2.4	2.0	5.3	-0.2	2.0	1.1	5.6	6.1		
Real disposable income	% YoY	1.2	-2.7	2.4	-4.8	-4.5	-3.7	-3.3			
Outstanding consumer loans	% YoY	17.6	7.1	19.4	10.3	7.7	7.1	7.3	11.7	14.6	
Outstanding mortgage loans	% YoY	14.9	19.7	12.2	11.9	17.6	19.7	21.4	23.3	24.5	
Non-financial organisations' outstanding bank loans	% YoY	-3.6	3.5	2.7	5.0	-0.3	3.5	2.0	2.9		
• Large borrowers	% YoY	-4.0	-2.5	2.1	4.5	-6.5	-2.5	-3.6	-1.9		
• SMEs	% YoY	-2.2	24.3	4.7	6.8	22.5	24.3	22.4	20.3		
Companies' price expectations	Balance of responses, SA	11.4	18.5	22.8	15.0	22.1	18.9	25.0	30.2	34.2	32.6
Business Climate Index	pp YoY	1.6	-9.7	-12.3	-17.2	-2.6	-6.6	11.4	31.1	17.6	
• Current estimates	pp YoY	0.6	-10.1	-10.0	-23.6	-2.0	-4.9	8.6	38.2	26.3	
• Expectations	pp YoY	2.7	-8.9	-14.5	-9.7	-3.2	-8.4	14.2	22.7	7.5	

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

Core indicators. Southern Main Branch

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	2.8	5.4	2.4	3.3	3.8	5.4	6.6	6.1	6.5	7.3
Core inflation	% YoY	3.2	4.2	2.7	3.0	3.4	4.2	5.6	5.5	6.2	6.7
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	3.5	-0.5	4.5	-3.7	-1.3	-0.8	7.7	8.5	7.8	
Fixed capital investment	Cumulative, % YoY	-5.1	1.2	15.8	1.7	3.0	1.2	17.5			
Construction	3MMA, % YoY	0.4	0.2	4.8	-6.1	8.5	-1.6	0.4	-10.4	-12.4	
Housing commissioning	3MMA, % YoY	7.3	5.9	-3.8	-11.3	5.8	13.3	10.7	17.3	20.2	
Retail	3MMA, % YoY	1.9	-3.3	6.9	-21.8	0.0	1.2	6.5	6.9	7.5	
Commercial services	3MMA, % YoY	-0.9	-8.4	4.1	-36.5	-1.0	-2.1	5.7	7.3	6.0	
Real wages	3MMA, % YoY	2.7	1.9	6.1	0.9	0.2	0.8	5.3	4.8		
Real disposable income	% YoY	0.6	-1.9	5.6	-11.8	-0.1	-1.3	-3.7			
Outstanding consumer loans	% YoY	19.8	7.5	20.3	11.5	8.6	7.5	7.3	10.9	13.9	
Outstanding mortgage loans	% YoY	19.5	23.7	17.3	16.8	21.5	23.7	26.5	29.2	30.5	
Non-financial organisations' outstanding bank loans	% YoY	4.5	3.6	4.3	2.7	3.4	3.6	3.5	5.7		
• Large borrowers	% YoY	3.9	0.3	3.2	0.1	0.4	0.3	0.1	3.0		
• SMEs	% YoY	6.4	13.9	7.5	10.5	13.4	13.9	14.0	13.6		
Companies' price expectations	Balance of responses, SA	8.6	14.9	12.6	14.9	14.8	17.5	16.7	19.3	20.4	22.3
Business Climate Index	pp YoY	0.9	-7.2	-8.1	-14.4	-1.4	-5.1	12.5	31.1	15.0	
• Current estimates	pp YoY	-0.4	-8.7	-6.1	-24.6	-0.2	-3.9	9.4	45.1	27.3	
• Expectations	pp YoY	2.2	-5.3	-10.2	-2.3	-2.6	-6.2	15.8	14.5	0.3	

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

Core indicators. Ural Main Branch

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	3.1	4.4	2.6	3.0	3.4	4.4	5.2	5.0	5.6	6.1
Core inflation	% YoY	3.0	4.0	2.4	2.6	3.0	4.0	5.0	5.1	5.7	6.3
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	5.1	-2.7	3.0	-5.3	-6.1	-2.1	1.4	2.8	3.4	
Fixed capital investment	Cumulative, % YoY	-3.0	1.5	17.7	11.9	5.9	1.5	-0.8			
Construction	3MMA, % YoY	-6.2	6.4	17.3	3.0	15.7	-12.0	4.6	-14.6	-8.6	
Housing commissioning	3MMA, % YoY	8.3	2.9	7.4	-15.3	14.5	-5.1	19.9	19.4	22.2	
Retail	3MMA, % YoY	1.5	-4.1	4.1	-13.2	-2.9	-4.2	0.2	1.8	2.5	
Commercial services	3MMA, % YoY	-0.1	-15.8	-0.8	-33.0	-19.3	-10.3	-3.8	-2.4	-3.4	
Real wages	3MMA, % YoY	1.9	2.1	4.6	0.5	1.6	1.8	4.6	4.5		
Real disposable income	% YoY	1.3	-3.9	2.1	-6.2	-6.7	-4.1	-3.8			
Outstanding consumer loans	% YoY	17.7	7.8	19.5	11.2	8.9	7.8	8.1	12.2	14.5	
Outstanding mortgage loans	% YoY	14.2	17.8	11.4	11.4	16.5	17.8	19.4	21.4	22.6	
Non-financial organisations' outstanding bank loans	% YoY	6.9	3.9	8.5	4.0	6.6	3.9	2.3	6.7		
• Large borrowers	% YoY	7.0	1.1	7.6	2.6	3.9	1.1	-0.6	4.6		
• SMEs	% YoY	6.0	26.0	15.4	14.8	27.3	26.0	26.2	23.4		
Companies' price expectations	Balance of responses, SA	11.5	14.7	11.3	13.6	15.5	18.4	17.5	20.5	24.2	24.0
Business Climate Index	pp YoY	2.0	-9.5	-10.8	-15.8	-4.1	-7.3	11.7	33.8	12.3	
• Current estimates	pp YoY	1.2	-8.2	-8.6	-19.3	-1.0	-3.8	9.7	41.5	20.6	
• Expectations	pp YoY	2.9	-10.7	-12.8	-11.9	-7.4	-10.8	13.5	24.7	3.0	

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

Core indicators. Siberian Main Branch

		2019	2020	2020	2020	2020	2020	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	3.6	4.9	2.8	3.5	3.8	4.9	5.8	5.7	6.3	6.8
Core inflation	% YoY	3.3	4.4	2.6	3.1	3.4	4.4	5.2	5.5	6.2	6.6
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	2.0	-4.1	-2.5	-5.8	-5.5	-4.5	-4.8	-4.3	-5.4	
Fixed capital investment	Cumulative, % YoY	7.8	1.9	5.4	2.4	-0.5	1.9	11.1			
Construction	3MMA, % YoY	6.8	-6.0	-4.9	-11.2	-8.4	4.4	6.0	10.5	16.0	
Housing commissioning	3MMA, % YoY	4.6	0.4	1.5	-30.0	21.3	-2.5	26.2	30.7	29.0	
Retail	3MMA, % YoY	2.7	-4.1	3.5	-11.1	-3.4	-4.7	1.4	3.2	3.5	
Commercial services	3MMA, % YoY	0.6	-10.7	-0.4	-25.9	-10.1	-6.3	-1.9	1.2	-0.3	
Real wages	3MMA, % YoY	2.4	2.7	3.6	1.9	2.7	1.9	4.8	5.0		
Real disposable income	% YoY	0.8	-2.2	-0.3	-3.0	-2.9	-3.1	-3.7			
Outstanding consumer loans	% YoY	15.9	9.1	18.9	11.6	9.3	9.1	9.8	13.3	16.1	
Outstanding mortgage loans	% YoY	15.8	18.9	11.9	12.5	18.0	18.9	20.8	22.9	24.3	
Non-financial organisations' outstanding bank loans	% YoY	3.8	5.2	6.2	8.2	11.0	5.2	-2.1	-3.4		
• Large borrowers	% YoY	2.0	1.8	5.2	7.9	9.0	1.8	-7.6	-8.8		
• SMEs	% YoY	12.4	19.5	10.7	9.7	20.4	19.5	23.6	22.6		
Companies' price expectations	Balance of responses, SA	8.6	15.7	12.5	16.7	15.3	18.3	18.1	23.5	27.3	27.2
Business Climate Index	pp YoY	1.8	-7.2	-6.8	-13.4	-2.8	-5.9	10.7	30.4	14.8	
• Current estimates	pp YoY	2.6	-8.4	-5.3	-19.8	-3.0	-5.5	8.0	38.7	23.3	
• Expectations	pp YoY	0.9	-5.7	-8.2	-6.1	-2.5	-6.2	13.6	20.9	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

		2019	2020	2020	2020	2020	2020	2021	2021	Apr	May	Jun
				Q1	Q2	Q3	Q4	Q1				
Inflation	% YoY	3.8	5.0	3.2	3.7	3.9	5.0	5.3		5.0	5.3	5.4
Core inflation	% YoY	3.3	3.9	2.6	3.1	3.5	3.9	4.6		4.6	4.8	4.9
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.												
Industrial production	3MMA, % YoY	6.3	-5.2	1.6	-6.9	-11.7	-3.1	-1.3		-1.3	-2.1	
Fixed capital investment	Cumulative, % YoY	8.2	-15.2	-13.8	-15.8	-18.6	-15.2	-15.3				
Construction	3MMA, % YoY	37.0	-12.5	-18.0	-17.1	-26.0	8.1	-18.1		-21.0	-21.7	
Housing commissioning	3MMA, % YoY	8.6	3.4	-7.8	3.8	17.4	-1.5	11.2		-7.2	-20.4	
Retail	3MMA, % YoY	3.9	-2.7	4.6	-13.0	-1.6	-0.5	6.7		7.5	7.7	
Commercial services	3MMA, % YoY	-2.1	-17.9	-4.3	-38.0	-15.9	-13.9	-8.4		-10.6	-16.8	
Real wages	3MMA, % YoY	3.3	1.4	4.9	0.6	-0.2	0.5	6.3		6.5		
Real disposable income	% YoY	2.2	-2.4	2.9	-4.2	-4.1	-3.2	-0.7				
Outstanding consumer loans	% YoY	16.7	9.2	19.4	11.9	9.7	9.2	9.7		12.6	15.1	
Outstanding mortgage loans	% YoY	20.2	23.8	17.8	18.7	22.7	23.8	25.1		26.7	28.0	
Non-financial organisations' outstanding bank loans	% YoY	29.9	32.2	28.7	29.7	30.0	32.2	34.0		38.7		
• Large borrowers	% YoY	27.4	32.7	23.2	25.2	25.3	32.7	37.7		44.4		
• SMEs	% YoY	40.2	30.4	51.6	47.0	49.1	30.4	21.0		19.7		
Companies' price expectations	Balance of responses, SA	9.0	14.3	12.6	16.5	13.7	14.4	15.2		19.9	17.3	21.3
Business Climate Index	pp YoY	1.2	-7.5	-8.6	-10.2	-4.1	-7.3	6.7		19.9	14.0	
• Current estimates	pp YoY	1.1	-9.1	-7.0	-16.7	-4.4	-8.1	4.6		29.4	17.8	
• Expectations	pp YoY	1.4	-5.8	-10.2	-2.9	-3.6	-6.4	9.0		8.9	9.6	

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