



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

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Information and analytical commentary

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BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (OCTOBER 2021)

- The average spread between RUONIA and the Bank of Russia key rate shrank to -10 bp (in the September averaging period (AP): -14 bp; year to date: -14 bp).
- In October, operations in budget accounts led to an outflow of liquidity from the banking sector. As a result, the structural liquidity surplus slightly decreased over the month.
- The structural liquidity surplus forecast for the end of 2021 was downgraded, with its range contracting to 0.6–1.0 trillion rubles.
- The foreign currency liquidity situation remained moderate. The volume of liquid foreign currency assets and the average spread between the rates in FX swap and RUONIA (basis) segments were virtually unchanged.
- In October, money market and debt market yield curves shifted upwards along their entire length following the revision by market participants of their expectations regarding further key rate moves on the back of accelerated inflation and tougher monetary policy signals from the Bank of Russia.
- The inflow of household funds to banks sped up in September amid continuously rising deposit rates. As in August, time deposits were of the greatest interest to depositors.
- According to the BLC survey, in 2021 Q3, the growth in lending rates became the main driver of the tightening of lending conditions for all categories of borrowers. Given the increased inflation and inflation expectations, the still favourable lending conditions in real terms supported further expansion of the corporate loan portfolio in September. Households continued to demonstrate high demand for mortgage loans: in September, the volumes of family mortgages and mortgages on market conditions continued to grow. The consumer lending segment demonstrated signs of a slowdown in activity.
- In September, expanding bank lending to the economy remained the key driver of money supply. As in the previous month, the annual growth of money supply in the national definition came in at 8.2%, and the growth of broad money supply sped up to 10.2%.

MONEY MARKET AND OVERNIGHT RATES (RUONIA)

In the October required reserve (RR) averaging period (AP), the spread between RUONIA¹ (the Bank of Russia's operational benchmark) and the Bank of Russia key rate² narrowed to **-10 bp** (in the September AP: -14 bp; year to date: -14 bp; in 2020: -15 bp) (Chart 3). The spread volatility was **22 bp** (in the September AP: 15 bp; year to date: 21 bp; in 2020: 18 bp).

The structural liquidity surplus averaged **0.9 trillion rubles** over the October AP (vs 1.1 trillion rubles in the September AP). As of early November, liquidity surplus declined by 0.8 trillion rubles to **0.4 trillion rubles** vs early October (Table 2).

In the first half of the October AP, the spread between RUONIA and the key rate was positive, reflecting market participants' expectations of a key rate increase at the Bank of Russia Board of Directors meeting on 22 October. Activity in the IBL segment was low during this period, as a result of which the situation in the money market was predominantly shaped by operations conducted by a limited number of market participants. Banks sought to average their RRs ahead of schedule, due to which supply at deposit auctions in the first half of the AP was below Bank of Russia limits. In the second half of the AP, activity in the IBL segment picked up again after several major credit institutions (CIs) returned to the market, and the level of concentration in the market decreased. Supply at deposit auctions increased, and the spread returned to negative territory. During the tax period, the spread between RUONIA and the key rate did not shrink, as was usually the case, but remained near its average annual values due to liquidity reserves in CI accounts and considerable RR averaging accumulated earlier.

In October, operations in budget accounts led to the outflow of liquidity from the banking sector in the amount of 0.8 trillion rubles. With budget revenues exceeding expenditure, the Federal Treasury (FT) and the budget systems of the constituent entities of the Russian Federation did not fully place these temporarily unallocated funds with banks. As a result, balances in the federal budget accounts with the Bank of Russia rose (Chart 6). The receipts of main non-oil and gas taxes charged on the 2021 Q3 base were up both vs 2020 and vs 2019. Stronger profit tax receipts reflected generally higher profits in the economy. Increase in VAT receipts was mainly due to the payments for goods (works and services) in the Russian Federation. Moreover, in October, large tax refunds were also transferred from the budget to the banking sector. In addition to that, amid persistently growing prices for key energy commodities in September, there was an increase in revenues from mineral extraction tax. In addition, a quarterly tax on additional income from hydrocarbon extraction was paid in October.

The structural liquidity surplus forecast for the end of 2021 was downgraded by 0.3 trillion rubles, with its range contracting to 0.6–1.0 trillion rubles.³ This change was mainly due to the revised forecast of cash in circulation in 2021, taking into account the actual level as of the end of October. The gradual and partial return of cash, the demand for which was boosted by the pandemic in 2020, to banks is expected to shift to 2022–2023. The expansion of cash in circulation will equal 0.6–0.7 trillion rubles in 2021.

¹ RUONIA (Ruble Overnight Index Average) is the weighted interest rate of overnight interbank loans (deposits) in rubles that reflects the estimated cost of unsecured overnight borrowing.

² The operational objective of the Bank of Russia's monetary policy within the inflation targeting strategy is to maintain rates in the unsecured overnight segment of the interbank money market close to the key rate of the Bank of Russia.

³ For details, see Monetary Policy Report No. 4 (36), October 2021.

MONEY MARKET YIELD CURVES AND KEY RATE EXPECTATIONS

OIS (ROISfix) curve.⁴ By the end of October, ROISFIX rates increased by 60–128 bp for all maturities following the upward revision by market participants of six-month ahead expectations for the key rate level (Chart 5). Growth in expectations was caused by both the actual key rate increase in October and the toughening of Bank of Russia signals coupled with the statistics on high inflation rates released at the end of the month. The **MosPrime 3M – OIS 3M spread** averaged 51 bp in October (vs 55 bp in September; 53 bp in 2021 H1) ranging from 36 bp to 68 bp during the month. The spread volatility was mainly associated with the inertia of MosPrime movements against the backdrop of OIS 3M volatility observed during the month.

IRS curve.⁵ The IRS curve also showed growth along its entire length: yields in the 1Y–10Y segment rose by 89–167 bp, reflecting in part the revision of expectations for key rate movements and its level. The long end of the curve was influenced by the revision of inflation risks in the global economy as well as reduction in non-residents' investment in OFZs.

Market participants' and analysts' expectations of the Bank of Russia key rate resumed growth: in 2022 H1, market participants expect it to average 8.50–9.00%, which is still higher than the estimates of analysts surveyed by Bloomberg and Refinitiv (Table 1).

MARKET PARTICIPANTS' AND ANALYSTS' KEY RATE EXPECTATIONS GREW

Table 1

Key rate expectations based on market indicators,* indicator (instrument)	December 2021	June 2022
– MosPrime 3M (FRA)	8.91 (7.36)	9.48 (7.24)
– RUONIA (ROISfix)	8.24 (7.19)	9.11 (7.53)
– RUONIA (futures)	8.35 (7.10)	8.85 (7.05)
Analysts' key rate expectations*	As of 31.12.2021	As of 30.06.2022
– Bloomberg survey	8.00 (7.00)	7.75 (6.75)
– Refinitiv survey	8.00 (7.00)	7.75 (7.00)

* Values are given as of the end of the current and previous months (in brackets).
Source: Bank of Russia calculations.

⁴ The OIS (ROISfix) curve represents indicative rates (fixing) on RUONIA IR swaps.

⁵ The IRS curve represents market prices for interest rate swaps against MosPrime 3M.

PUBLIC DEBT MARKET

OFZ yield curve. The OFZ yield curve has been rising since September (Chart 9): OFZ 1Y – 7.98% (+83 bp), OFZ 2Y – 8.18% (+100 bp), OFZ 5Y – 8.15% (+89 bp), and OFZ 10Y – 8.04% (+62 bp). As a result of a more significant increase in the yields of short-term issues, the OFZ yield curve became inverted for the first time since 2017: the spread between the yields of 2Y and 10Y OFZs was about 20 bp. The negative slope of the OFZ curve is mainly associated with expectations of the further tightening of monetary policy in the near term and its gradual easing over 1–1.5 year horizon as inflation returns to the 4% target.

The growth of the long segment of the OFZ curve was explained not only by the tightening of monetary policy, but also by external factors. Before the October increase of the Bank of Russia key rate, the main driver of growth in the yields of long-term OFZ issues was the rise in long-term **rates in advanced economies** amid expectations of an earlier tightening of their monetary policies. In October, the yields of 2Y US Treasuries reached 0.5% (+22 bp), hitting their record high since March 2020, and those of 10Y bonds were up to 1.55% (+6 bp) – the record high since June 2021. The curve was influenced by growing commodity prices (including oil, gas, coal, and metal prices), as well as elevated inflation expectations in the USA. The US debt market was also under pressure from the possible approval of J. Biden’s USD 2 trillion 8-year infrastructure plan instigating proinflationary risks.

Foreign investors reduced their OFZ holdings by 56 billion rubles by the end of the month (Chart 11). Before 22 October, their investments were mainly growing (by 18.6 billion rubles, from 1 through 21 October), and after the key rate increase they contracted by 74 billion rubles.

In October, **the volume of OFZ placements** decreased month-on-month by 182 billion rubles to 57 billion rubles. In response to the growing volatility of interest rates, the Russian Ministry of Finance reduced the volume of auctions. Amid accelerated inflation, investors’ demand for OFZ-INS was higher than for standard OFZ-PDs. As in previous months, the main buyers of OFZs at auctions were SICIs; as of the end of October, their share reached 57% vs 51% in September. The shares of other CIs and NFIs also increased, reaching 13% and 16%, respectively. At the same time, the share of foreign investors declined to 13% (vs 20% MoM).

Situation in other financial markets

Foreign currency liquidity. In October, the situation with foreign currency liquidity remained calm. The amount of highly liquid foreign currency assets was virtually unchanged compared with September (Chart B-1-1). The spread between interest rates in the FX swap and RUONIA (basis) segments ranged from -27 bp to 8 bp (Chart B-1-2). The average basis in the October AP was -7 bp (in the September AP: -9 bp; year to date: -7 bp).

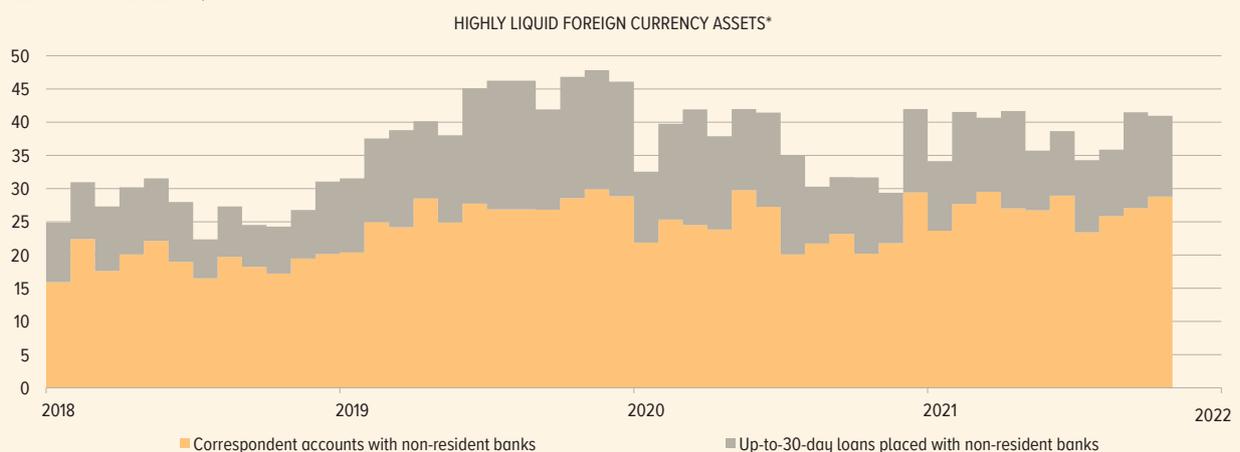
Foreign exchange market. By the end of October, the ruble appreciated by 2.5% to 70.94 rubles per US dollar. At its peak, the ruble reached 69.25 rubles per US dollar, the exchange rate recorded at the end of June 2020. Thus, the ruble has been strengthening for virtually four months in a row, predominantly due to the tightening of monetary policy by the Bank of Russia and the situation in the global oil and gas markets. Over the 12-month period (from November 2020), the ruble appreciated against the US dollar and against the euro by 9–10%, which was last observed at end-2019.

Other EME currencies weakened by 0.8% on average in October (Chart B-1-3). The deepest decline was recorded in Turkey (-7.5%) and Brazil (-3.4%), where consumer inflation was measured in double digits.

Based on data on foreign currency purchases in the exchange and OTC markets, the ruble appreciated despite foreign currency purchases by non-residents (exceeding their sales), which is observed quite rarely (Chart B-1-5). Thus, the strengthening of the ruble was probably linked to expanded foreign currency sales by exporters amid high prices for most commodities (Chart B-1-4).

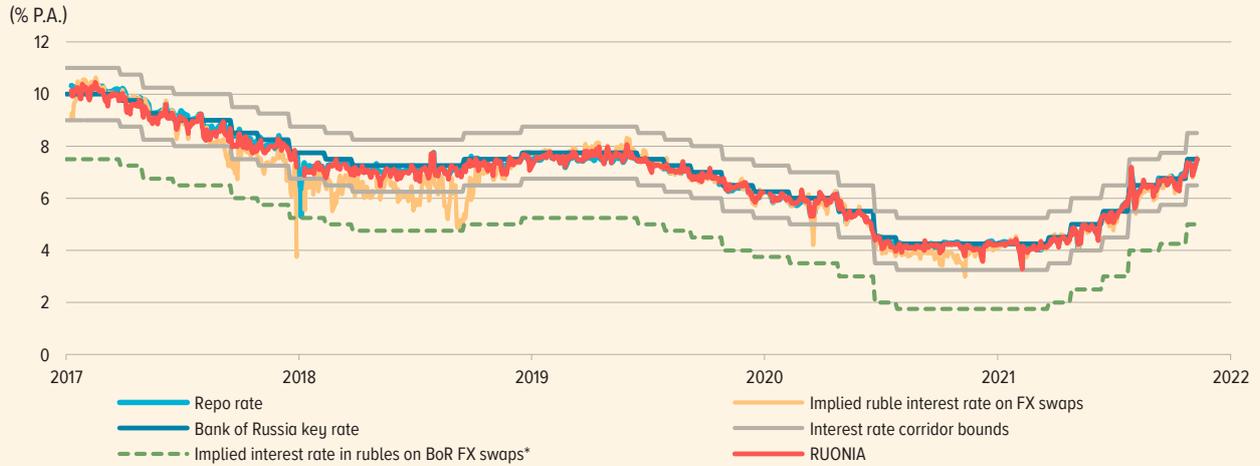
Equity market. In October, equity markets in most countries demonstrated an increase. S&P 500 was up 6.9%, MSCI Europe was up 4.4%, and MSCI EM was up 0.9% (Chart B-1-6). Similar trends were observed in the Russian market: the MOEX Index gained 1.1%, and the RTS Index – 3.7%. The main reason behind the positive sentiment in the US market was the release of corporate reporting statements, which turned out to be better than market expectations; in the Russian market – the rise in prices for energy resources, metals, and fertilisers; in the Chinese market – decreased likelihood of a systemic crisis caused by the default of the large developer Evergrande. The only exclusion was Brazil (-9.1%) where, in the run-up to the presidential election, the Government promised to expand social spending, which, in the opinion of market participants, might elevate proinflationary risks (in Brazil, the 2021 inflation target is 3.75%, whereas actual inflation as of end-October 2021 was 10.67%).

THE AMOUNT OF HIGHLY LIQUID FOREIGN CURRENCY ASSETS REMAINED VIRTUALLY UNCHANGED IN OCTOBER (ACCORDING TO DATA AS OF 1 OCTOBER)
(BILLIONS OF US DOLLARS) *Chart B-1-1*



* Excluding cash foreign currency in credit institutions cash desks.
Source: Bank of Russia calculations.

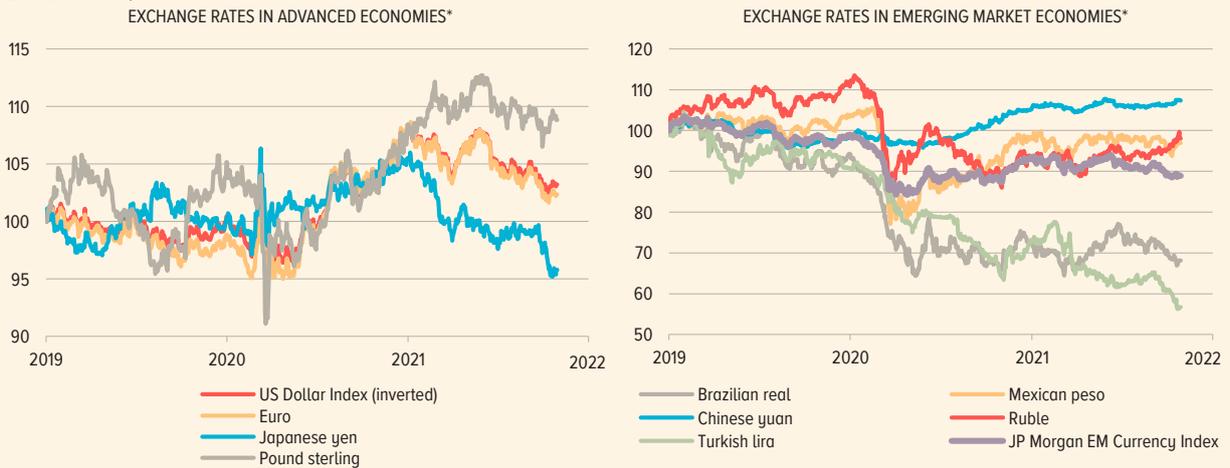
THE SPREAD BETWEEN INTEREST RATES IN THE FX SWAP AND RUONIA (BASIS) SEGMENTS WAS PREDOMINANTLY IN NEGATIVE TERRITORY Chart B-1-2



* Implied rate = ruble lending rate – foreign currency borrowing rate + LIBOR (from 19.12.2016: key rate – 1 pp - (LIBOR + 1.5 pp) + LIBOR = key rate – 2.5 pp).
Source: Bank of Russia calculations.

IN OCTOBER, THE RUBLE SHOWED THE MOST SIGNIFICANT APPRECIATION AGAINST THE US DOLLAR AMONG EME CURRENCIES Chart B-1-3

(02.01.2019 = 100)



* Against the US dollar. Reverse exchange rates.
Sources: Bloomberg, Bank of Russia calculations.

THE EFFECTIVE RUBLE RATE CONTINUED TO GROW Chart B-1-4

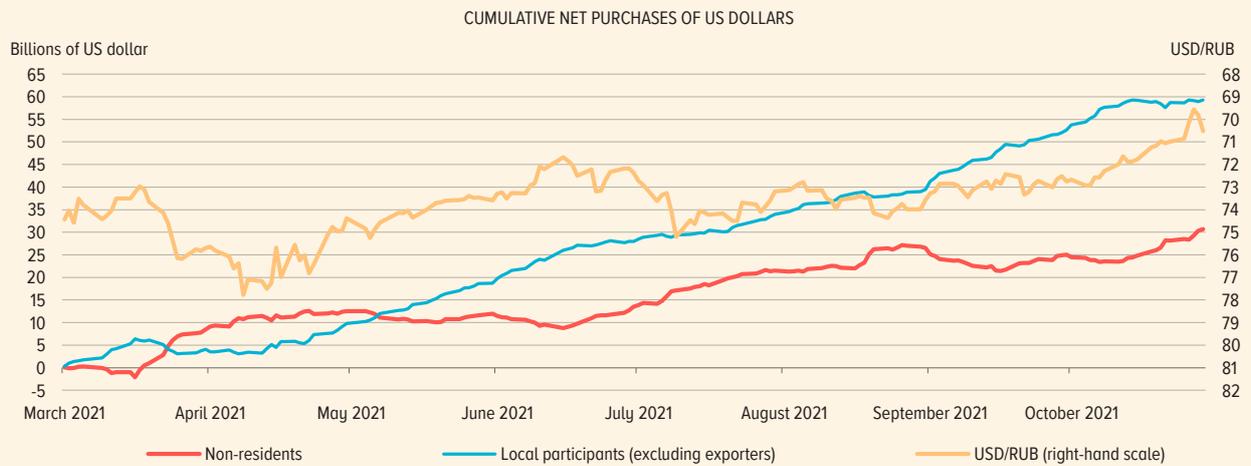
(02.01.2019 = 100)



* The ruble's nominal and real effective exchange rates (NEER and REER, respectively) are calculated using market exchange rates of currencies and recent available monthly inflation data
Sources: Bloomberg, Bank of Russia calculations.

NON-RESIDENTS PREDOMINANTLY PURCHASED FOREIGN CURRENCY

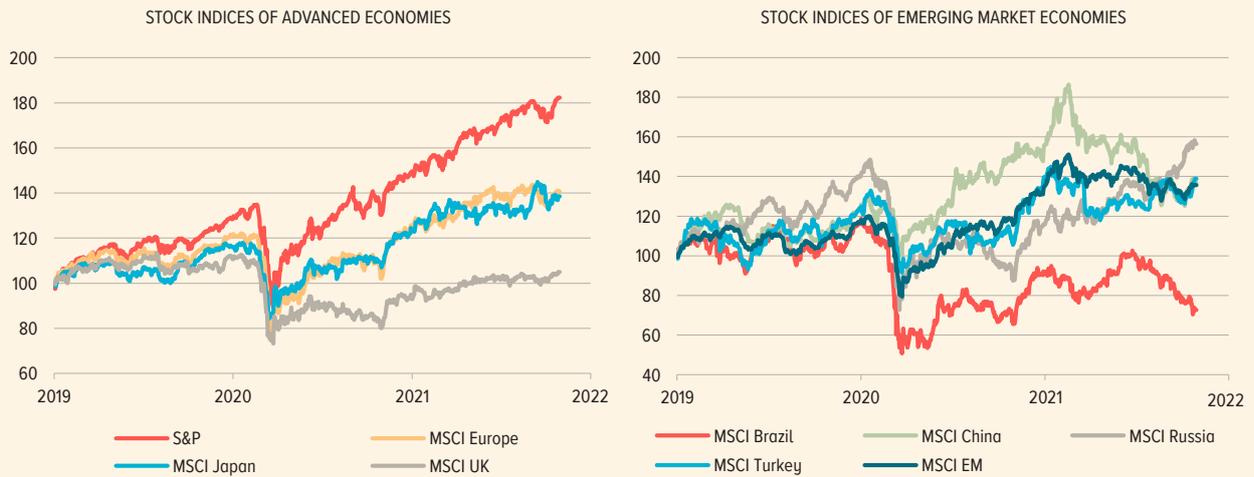
Chart B-1-5



Sources: Moscow Exchange, Bloomberg, Bank of Russia calculations.

STOCK INDICES OF MOST COUNTRIES, EXCLUDING BRAZIL, WERE UP
(02.01.2019 = 100)

Chart B-1-6



Sources: Bloomberg, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. In September and October, banks continued to increase their rates on ruble deposits. The growth of deposit rates was conditioned both on the earlier tightening of monetary policy by the Bank of Russia and on expectations of a further key rate increase.

In September, average market ruble rates rose within the range of the actual increase in the key rate: rates on short-term household deposits¹ edged up by 28 bp to 4.1% p.a., those on long-term deposits – by 13 bp to 5.93% p.a. (Chart 13). In October, the growth of deposit rates continued: the FRG100² deposit return index was up 40 bp over the month (Chart 12).

In November–December, the potential for further growth in deposit rates remains in place as a result of adjustment to the October key rate increase, as well as because of expectations of the further tightening of monetary policy. Competition between banks in the retail segment of the deposit market may also lead to higher deposit rates in the coming months.

In September, average market rates for foreign currency deposits remained close to their historic lows. Near-zero rates on foreign currency investments support the attractiveness of savings in the national currency.

Deposit operations. Growth in ruble deposit rates in Q3 increased the attractiveness of bank deposits, which expanded the inflow of household funds³ to banks in September. The annual growth of balances in household accounts and deposits⁴ was up from 3.5% in August to 4.6% in September (Chart 14).

In September, the inflow of household funds to ruble account and deposits totalled 167 billion rubles vs 30 billion rubles in August. The structure of household deposits predominantly consisted of deposits with maturities from one to three years (118 billion rubles), whose rates increased most notably in August–September. The inflow of funds to current accounts amounted to 14 billion rubles. The growth in escrow account balances continued to slow down in September, totalling 131 billion rubles vs 150 billion rubles a month earlier.

In the short term, elevated interest rates will continue to support the demand for time deposits compared to current accounts and, in general, influence the structure of households' savings.

September saw a moderate inflow of household funds to foreign currency deposits. Amid near-zero rates on deposits in the most popular currencies, the main contribution to this inflow was made by current accounts and deposits with the shortest maturities. In September, the portion of households' FX deposits remained virtually unchanged (20.8% vs 20.9% in August) due to the ruble's appreciation against foreign currencies.

Credit rates. In September, interest rates on corporate⁵ and retail ruble loans continued to rise, reflecting the actual tightening of monetary policy, climbing OFZ yields and funding cost. At the same time, a more notable upward trend in rates was observed in the short-term segment because of the persistent expectations of further increases in the key rate at the upcoming meetings of the Bank of Russia Board of Directors. According to the survey of bank lending conditions (BLC), price

¹ Short-term deposits are deposits with any maturities of up to one year, excluding demand deposits; long-term deposits are deposits with any maturities of over one year.

² [The average interest rate of the 54 largest banks on deposits for up to one year in the amount of 100,000 rubles and more, according to the Frank RG news agency.](#)

³ Hereinafter, household deposits include balances in time deposits, demand deposits, and current accounts, but exclude balances in escrow accounts under equity construction agreements.

⁴ Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

⁵ Hereinafter, the corporate segment of the credit market implies lending to non-financial organisations.

conditions became the key factor behind the overall tightening of BLC for all borrower categories in 2021 Q3 (Chart 17).

The rising cost of borrowed funds in the segment of retail loans was still constrained by subsidised programmes: for example, average rates on household loans for up to one year continued to grow, reaching 14.34%, whereas for loans for more than one year their growth observed in August reversed to a decrease to 10.39% in September (Chart 13). Decline in the average market rate on long-term household loans was mainly conditioned on the change in the cost of ruble housing mortgage loans, which stood at 7.73% in September vs 7.78% in August. In September, the average market mortgage rate slightly decreased under the influence of a combination of factors, i.e. active pricing policy pursued by banks in the segment of subsidised mortgage programmes, coupled with banks' competition for reliable borrowers and the restoration of the portion of loans secured by equity construction agreements (hereinafter, ECAs) in the total number of mortgage loans from 25% in July to 32% in September. According to the recent monitoring,⁶ in October, the rates offered on subsidised and family mortgage loans remained close to the level of the previous month; however, there appeared signs of an increase in market mortgage rates: they grew by 25 bp in the primary market, and by 29 bp in the secondary market (Chart 12). Average rates on other types of long-term retail lending remained virtually unchanged in September.

In the near term, interest rates on loans to non-financial organisations and households will continue to grow in response to the tightening of monetary policy. In the segment of long-term household loans, further movements of average rates will be also determined by the scale of spread of family mortgage and the ratio of mortgage and consumer loans in the market turnover. In the corporate segment, credit rates may be constrained by the resumption, from 1 November, of the programme of subsidised lending at 3% p.a.⁷ for companies hit by the pandemic.

Corporate lending. In September, favourable price lending conditions in real terms, a certain easing of non-price conditions noted by individual banks covered by the survey of BLC in 2021 Q3, coupled with expectations of further growth in credit rates and lending conditions tightening, maintained the activity of participants in the corporate lending market. The annual growth in the corporate loan portfolio⁸ sped up by 1.1 pp to 10.7%, hitting its maximum since early 2015 (Chart 15). The share of overdue liabilities of non-financial companies in the portfolio decreased from 6.5% in August to 6.3% in September.

Changes in the corporate lending continued to be predominantly determined by ruble transactions, primarily long-term ones: in annual terms, the portfolio growth in this segment accelerated by 1.6 pp to 18.5%. Foreign currency lending slowed down in annual terms by 0.5 pp to 1.1% by the end of September. By contrast, the maturity structure of foreign currency loans continued to demonstrate a faster growth of short-term loans.

The expansion of the corporate loan portfolio was helped by both lending to large corporations and small and medium-sized enterprises (SMEs). At the beginning of September, the annual growth of the SME loan portfolio⁹ came in at 22.9%. The growth potential of SME lending will remain in place in the coming months. This will be facilitated by, among other things, support measures involving the resumption, from 1 November, of the programme of subsidised lending at 3% p.a. for companies hit by the pandemic, as well as the provision by the Bank of Russia of funds to support bank lending to companies adversely affected by temporary anti-pandemic measures.¹⁰

⁶ [According to the weekly monitoring of market rates offered in the mortgage market](#) published by DOM.RF.

⁷ Resolution of the Government of the Russian Federation No. 1850, dated 28 October 2021.

⁸ Hereinafter, growth in lending to non-financial organisations strips out acquired credit claims.

⁹ Including loans issued by VEB.RU.

¹⁰ [The Bank of Russia will provide additional support to SME lending | Bank of Russia \(cbr.ru\)](#).

Over the short-term horizon, corporate demand for loans will continue to grow and will support corporate lending (Chart 17). Moreover, lending activity in this segment will be restrained by a further increase in credit rates.

Retail lending. The demand for loans among retail customers remained high in September. This was helped by attractive credit rates in real terms and expectations of rate hikes in the near term. Growing household debt burden was also facilitated by the increase of loan amounts because of higher inflation. As a result, by end-September, the annual growth of the household loan portfolio¹¹ was close to the level of the previous month of 21.8% (Chart 15). The quality of the portfolio is stable: in September, the share of overdue household liabilities decreased by 0.1 pp to 4.2%.

Mortgages continued to make the largest contribution to the growth of retail lending (Chart 16). In September, 158,000 new loans were issued in the amount of 477 billion rubles. In the segment of loans secured by ECAs, the total value of new loans returned to the average level of 2021 H1 (before the parameters of subsidised new housing mortgage loans were adjusted¹²). Coupled with the small numbers of new subsidised loans at 7% p.a., this suggests an ongoing increase in the number of loans issued as part of the family mortgage programme, as well as mortgages on market conditions. The expansion of mortgage lending is also facilitated by a further increase in the maturity of loans: in September, the average loan maturity reached an all-time high of 20.6 years. Remaining high, the growth of mortgage portfolio¹³ continued to slow down in annual terms and came in at 26.7% at the end of September. Mortgage lending growth is supported by the development of the mortgage-backed bond market: in late October, the volume of outstanding mortgage bonds¹⁴ amounted to 631 billion rubles showing a 39.5% increase over the past 12 months.

The segment of unsecured consumer lending demonstrated the first signs of a slowdown in activity: for example, the portfolio grew by 1.7% over the month (which is comparable with the average monthly growth in 2019) vs 2.2% in August.

In the near term, the potential of portfolio growth in the mortgage segment will remain owing to attractive interest rates on subsidised programmes, a further increase in the volume of family mortgages, as well as the expansion of subsidised mortgage loans at 7% p.a. issued for the purchase of finished houses and individual housing construction. Further increase in retail lending will be contained by the appreciable tightening of BLC for mortgage and consumer loans expected by banks over the six-month horizon (Chart 17). The tightening of lending conditions will be driven by both interest rates (higher interest rates in real terms will decrease households' demand for both consumer and mortgage loans) and by restraining macroprudential measures implying higher add-ons to risk weights for unsecured consumer loans from October 2021.

Money supply. In September, money supply formed mainly due to the increased banking system's claims on the economy. At end-month, annual growth in the banking system's claims on households remained unchanged at 20.7% vs August; and annual growth in the claims on businesses sped up to 11.9%. Total annual growth in claims on the economy¹⁵ amounted to 14.3% in September vs 13.7% in August. Claims on the general government remained virtually unchanged. Compared to previous months, the inflow of funds to escrow accounts, excluded from money supply, slightly reduced.

By the end of September, the increase in the foreign currency component of money supply accelerated, with the annual growth of money supply in the national definition (M2) remaining

¹¹ Hereinafter, the growth of retail lending strips out acquired credit claims.

¹² Resolution of the Government of the Russian Federation No. 566, dated 23 April 2020.

¹³ Housing mortgage loans, net of claims on such loans acquired by banks.

¹⁴ At the outstanding face value, according to the Cbonds.ru news agency.

¹⁵ Banking sector claims on the economy mean all claims of the banking system on non-financial and financial organisations and households in Russian rubles, foreign currency, and precious metals, which include loans issued (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in non-financial and financial organisations' equity, and other receivables under settlement operations with non-financial and financial organisations and households.

unchanged vs August at 8.2%. At the same time, the annual growth of broad money supply (M2X) sped up from 9.5% in August to 10.2% in September (Chart 18). The main contribution to the acceleration of M2X growth was made by corporate foreign currency deposits. The situation evolved amid favourable export conditions that were conducive to an increase in the balances of foreign currency accounts of exporters.

September saw a moderate demand for cash rubles. Annual growth of the M0 aggregate in September totalled 8.4% vs 8.5% in August.

CHARTS AND TABLES

IN OCTOBER 2021, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED
(AS OF START OF BUSINESS, BILLIONS OF RUBLES)

Table 2

	01.01.2018	01.01.2019	01.01.2020	01.01.2021	01.04.2021	01.07.2021	01.10.2021	01.11.2021
Structural liquidity deficit (+)/ surplus (-)	-2,639	-3,016	-2,761	-204	-1,461	-1,454	-1,283	-439
Bank of Russia claims on credit institutions	10	21	18	976	349	154	154	844
Auction-based facilities	-	-	-	847	103	148	108	127
– repos and FX swaps	-	-	-	847	103	148	108	127
Fixed interest rate facilities	10	21	18	129	246	6	46	717
– repos and FX swaps	4	8	13	118	0	0	11	0
– secured loans	5	13	5	10	246	5	35	716
Credit institutions' claims on the Bank of Russia	2,729	3,293	2,983	1,796	2,417	1,941	1,626	1,462
Deposits	2,372	1,902	1,026	1,221	1,772	1,314	1,023	994
– auction-based	2,125	1,478	697	844	1,650	1,191	780	820
– fixed interest rate	247	424	330	377	122	123	243	174
BoR coupon bonds	357	1,391	1,956	575	645	626	603	468
Standing reverse facilities, other than standard monetary policy instruments of the Bank of Russia*	81	256	204	616	607	332	190	179

* These transactions include Bank of Russia specialised refinancing facilities, loans granted by the Bank of Russia as part of irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps conducted by the Bank of Russia.
Source: Bank of Russia calculations.

THE STRUCTURAL LIQUIDITY SURPLUS FORECAST FOR THE END OF 2021 IS DOWNGRADED BY 0.3 TRILLION RUBLES, WITH ITS RANGE CONTRACTING TO 0.6–1.0 TRILLION RUBLES (TRILLIONS OF RUBLES)

Table 3

	2020 (actual)	January – October 2021	October 2021	2021 (forecast)
1. Liquidity factors	-2.6	1.0	-0.8	[1.0; 1.3]
– regulation of banks' required reserves with the Bank of Russia	0	1.5	-0.8	[1.8; 2.0]
– change in the amount of cash in circulation	-2.6	-0.4	0.0	[-0.7; -0.6]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.1	-	-	-
– regulation of banks' required reserves with the Bank of Russia	-0.1	-0.1	0.0	-0.1
2. Change in free bank reserves (correspondent accounts)*** (demand)	-0.1	0.7	0.1	[0.5; 0.6]
3. Change in banks' claims on deposits with the Bank of Russia and coupon OBRs	1.2	-0.3	-0.2	[-0.9; -0.5]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4=2+3-1)	1.4	-0.6	0.7	-1.3
Structural liquidity deficit (+) / surplus (-) (as of end-period)	-0.2	-0.4		[-1.0; -0.6]

* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market, and other operations.

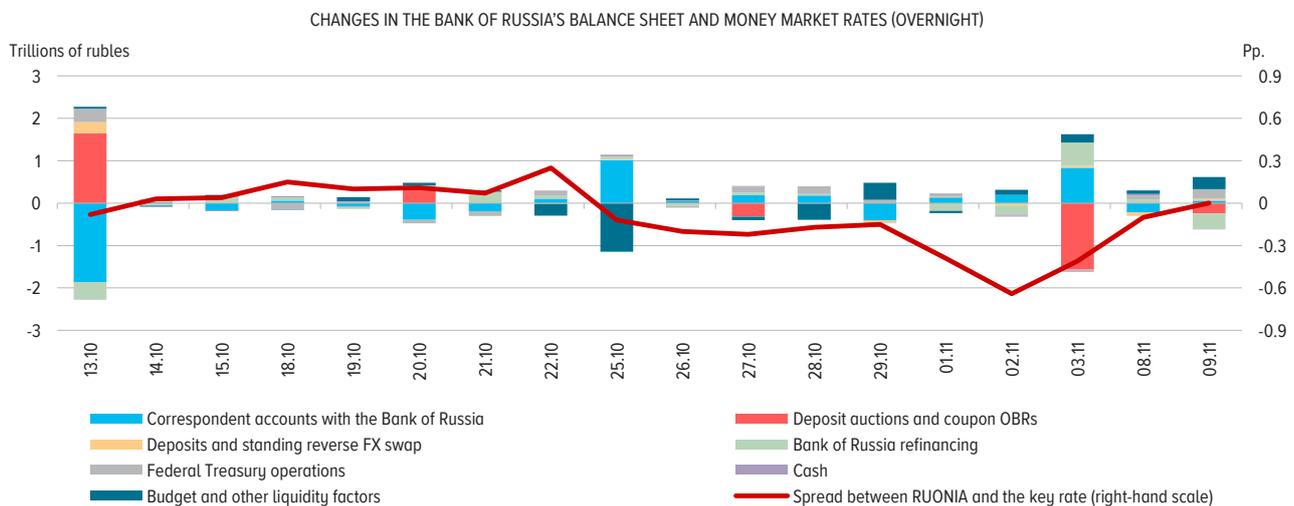
** Forecast values of the indicator are in line with the actual amount of operations conducted.

*** The forecast for the end of the year implies the uniform averaging of required reserves by banks and correspondent account balances close to the required ratio.

Source: Bank of Russia calculations.

IN OCTOBER 2021, BUDGET OPERATIONS CAUSED AN OUTFLOW OF LIQUIDITY FROM THE BANKING SECTOR

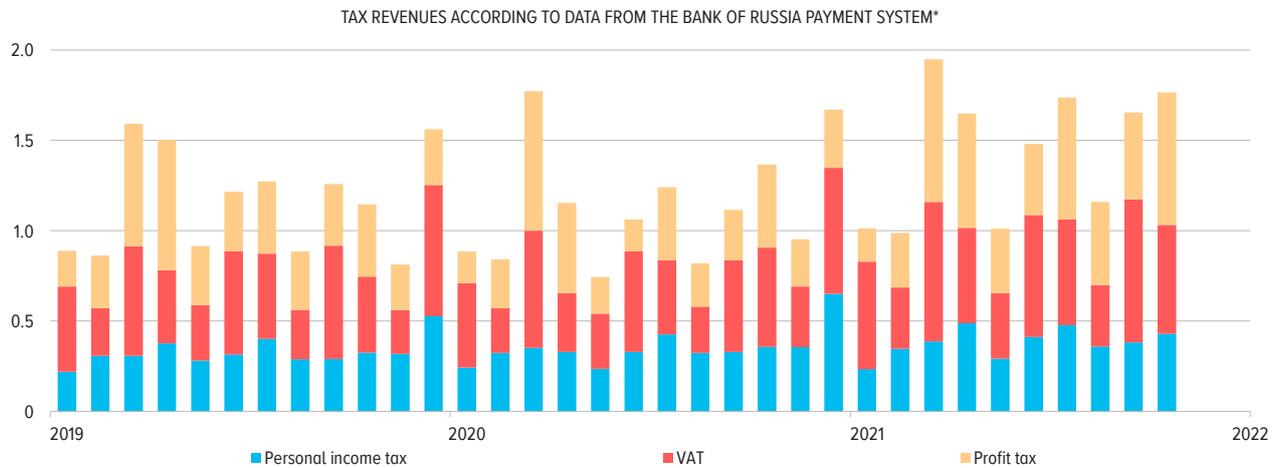
Chart 1



Source: Bank of Russia calculations.

IN OCTOBER 2021, THE GROWTH OF PERSONAL INCOME TAX, VAT AND PROFIT TAX CONTINUED TO ACCELERATE
(TRILLIONS OF RUBLES)

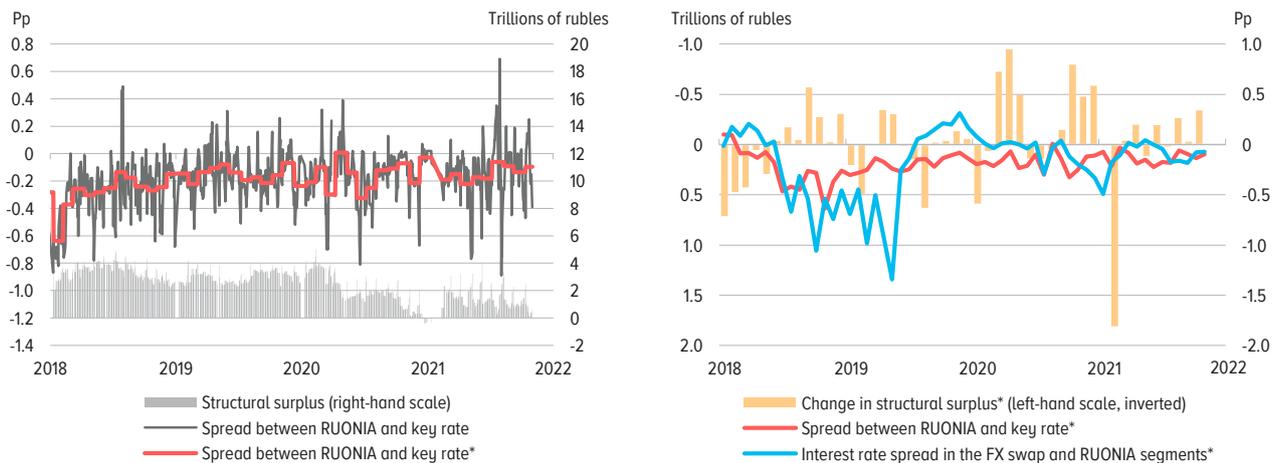
Chart 2



* Funds transfers from credit institutions' accounts to the budget system's accounts with budget classification codes corresponding to the above taxes.
Source: Bank of Russia calculations.

THE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE NARROWED

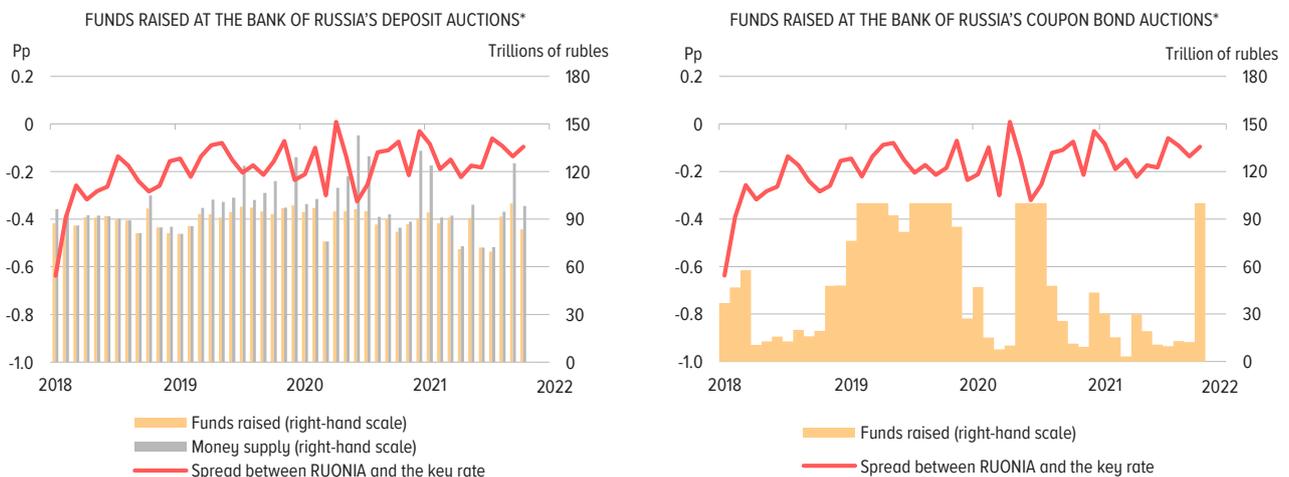
Chart 3



* Average for averaging periods.
Source: Bank of Russia calculations.

BANKS' SUPPLY AT BANK OF RUSSIA ONE-WEEK DEPOSIT AUCTIONS WAS BELOW THE ESTABLISHED LIMITS IN THE FIRST HALF OF THE AP

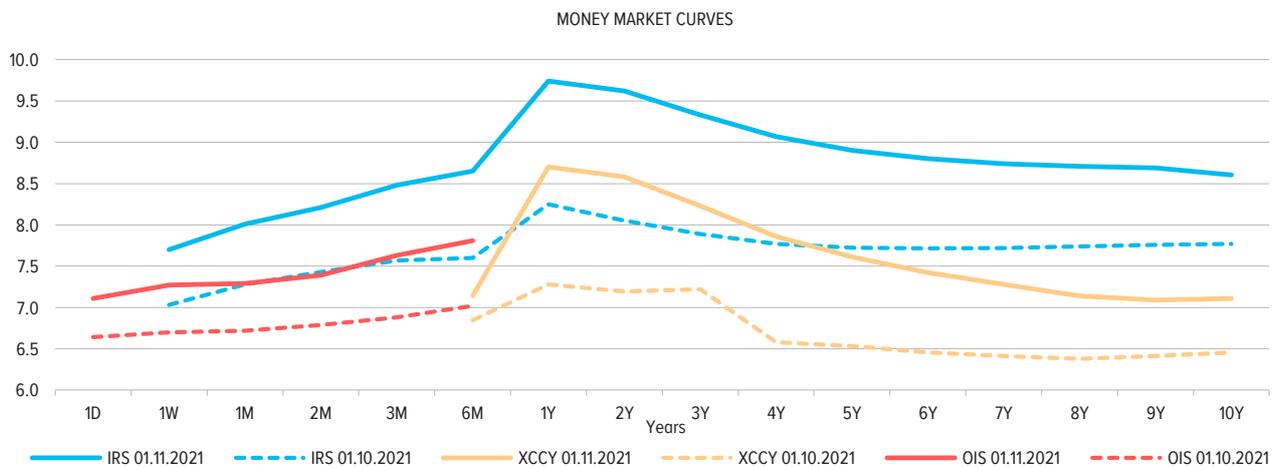
Chart 4



* Average for averaging periods.
Source: Bank of Russia calculations.

IN OCTOBER, YIELD CURVES CONTINUED TO GROW
(% P.A.)

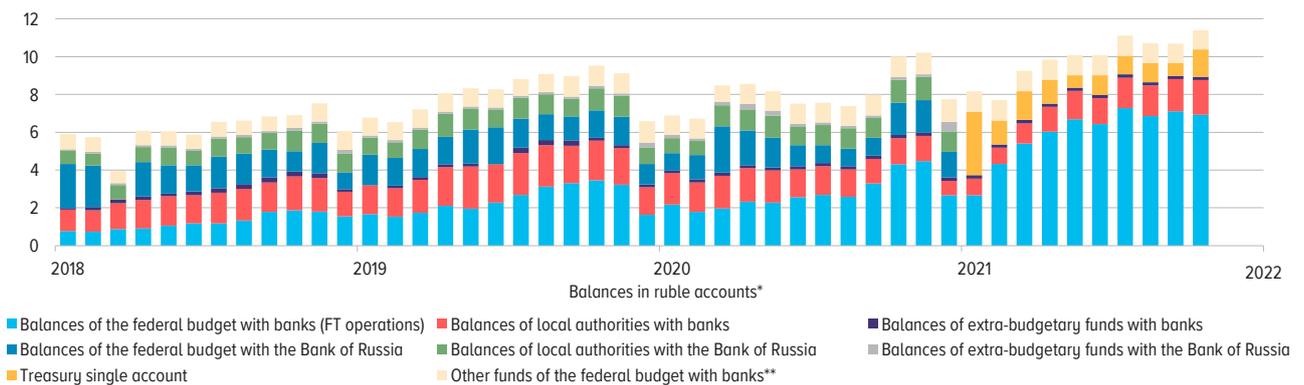
Chart 5



Note: to build the IRS curve for maturities of up to 1Y, MosPrime rates for respective maturities are used.
Source: Bloomberg.

IN OCTOBER 2021, BALANCES IN THE TSA INCREASED DUE TO THE REDUCTION IN BANKS' OUTSTANDING AMOUNTS ON FT OPERATIONS AND THE GROWTH OF BUDGET REVENUES
(TRILLIONS OF RUBLES, AS OF THE MONTH-END)

Chart 6

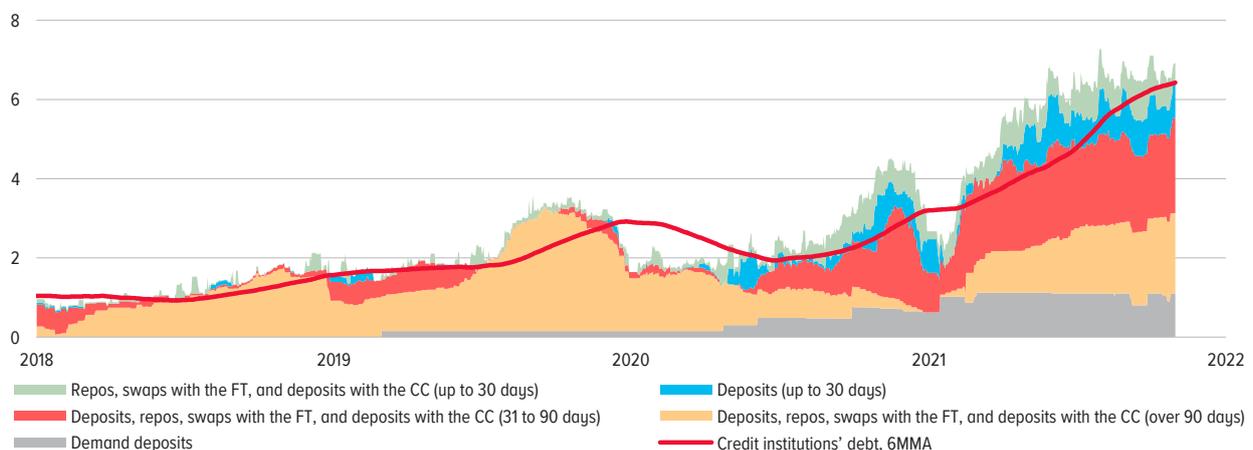


* According to banking reporting form 0409301 'Performance indicators of a credit institution' and the Bank of Russia's daily balance sheet.

** Other funds comprise VEB budgetary funds, election commissions' funds, funds received for temporary use, funds for the cash transactions of Russia's Ministry of Finance, and others.
Source: Bank of Russia calculations.

IN OCTOBER 2021, BANKS' OUTSTANDING AMOUNTS DUE TO THE FT DECLINED BY 0.2 TRILLION RUBLES
(TRILLIONS OF RUBLES)

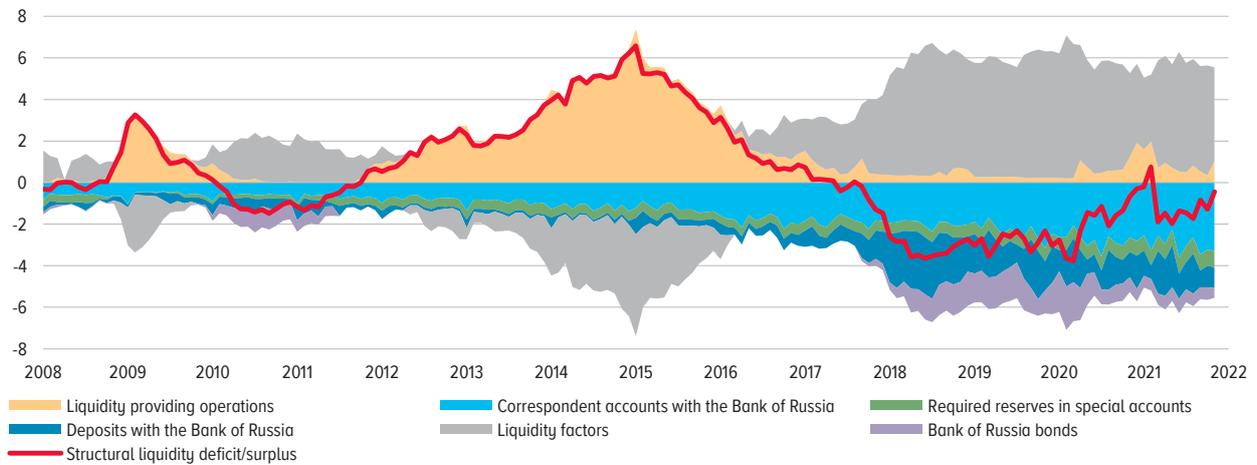
Chart 7



Sources: Federal Treasury, Bank of Russia calculations.

THE BANK OF RUSSIA'S BALANCE SHEET
(TRILLIONS OF RUBLES)

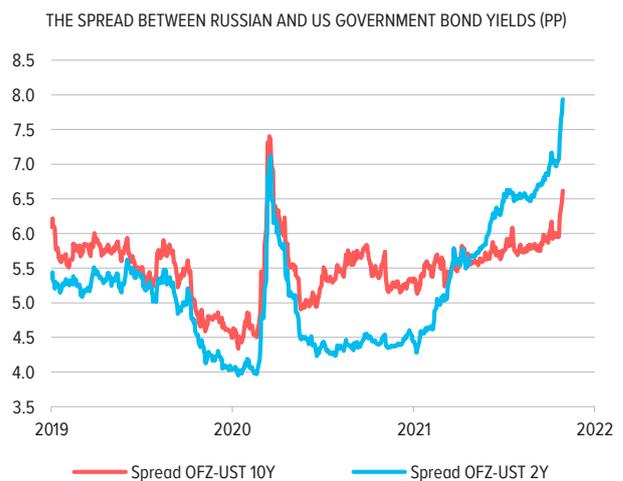
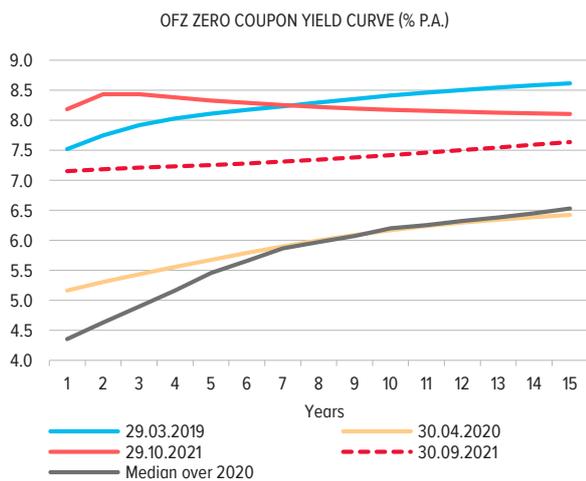
Chart 8



Source: Bank of Russia calculations.

OFZ CURVE CONTINUED TO SHIFT UPWARDS ACROSS ALL MATURITIES

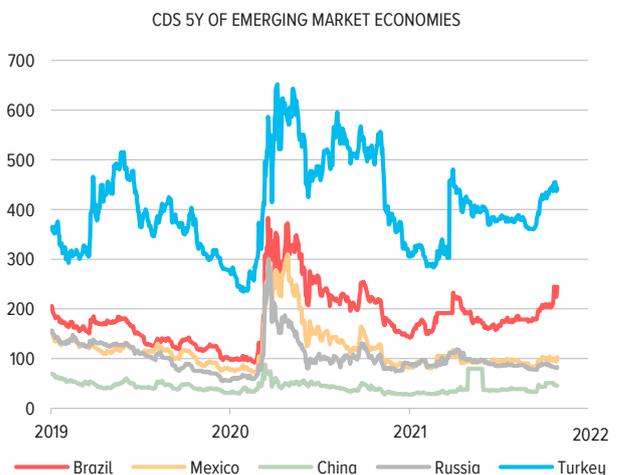
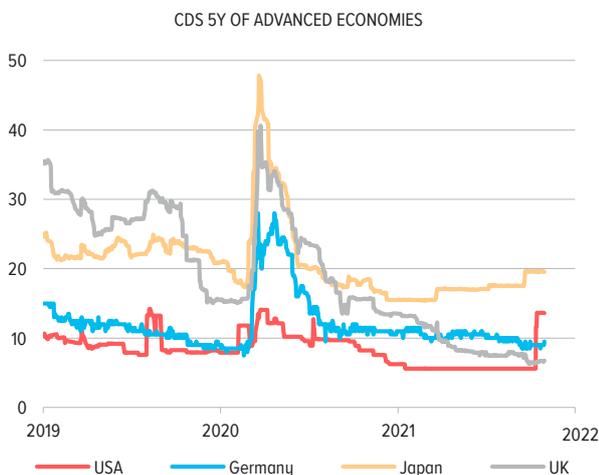
Chart 9



Sources: Moscow Exchange, Bloomberg, Bank of Russia calculations.

RUSSIA'S 5Y CDS SPREAD DECLINED SLIGHTLY COMPARED TO OTHER EMES
(BP)

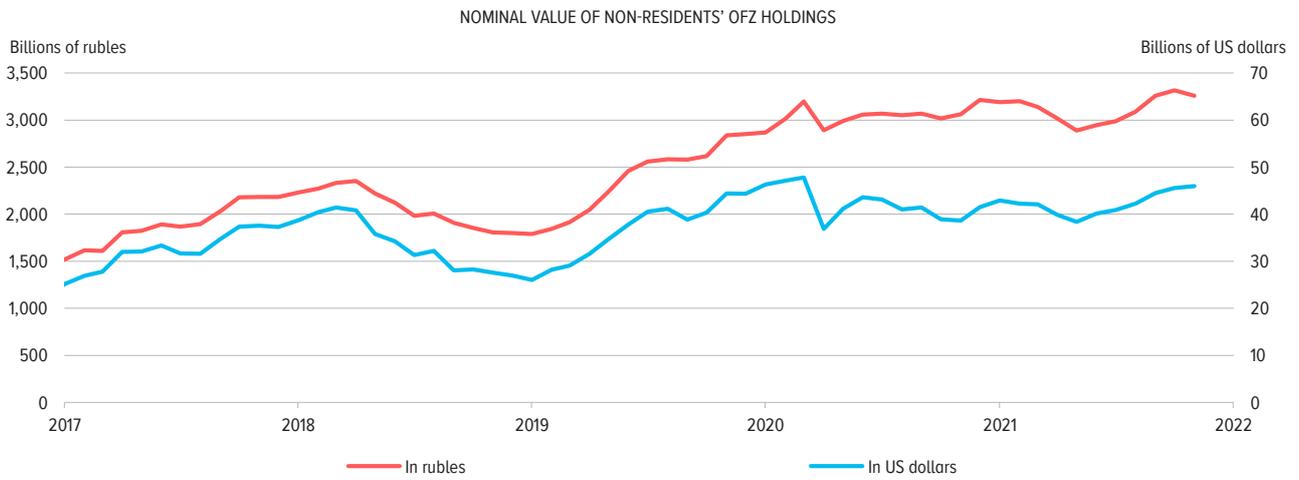
Chart 10



Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

FOREIGN INVESTORS DECREASED THEIR INVESTMENT IN OFZS BY THE END OF THE MONTH

Chart 11



Source: Bank of Russia calculations.

THE RUSSIAN FINANCIAL MARKET DEMONSTRATED POSITIVE DYNAMICS IN THE FOREIGN CURRENCY AND EQUITY SEGMENTS

Table 4

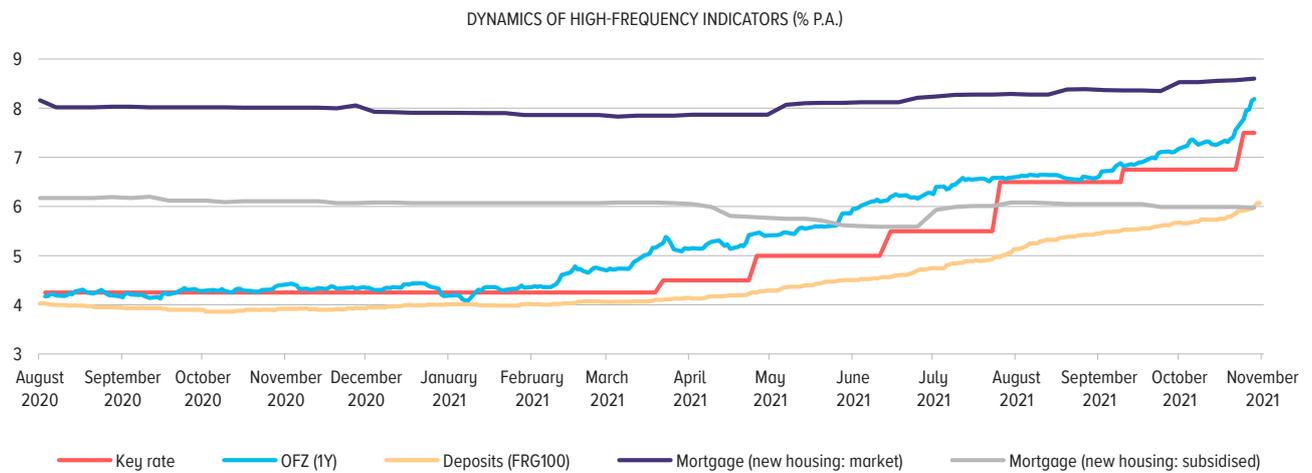
Indicator		29.10.2021	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		70.94	2.5	3.0	5.7	4.7	10.5
MOEX Index		4,150	1.1	10.0	17.1	26.2	54.1
RTS Index		1,844	3.7	13.4	24.2	32.9	71.0
Government bond yield		8.21	88	135	136	245	242
Corporate bond yield		8.85	89	142	198	274	250
Regional bond yield		8.63	90	129	182	295	280
CDS spread		83	-6	-4	-17	-6	-23
RVI		26	0	4	-2	-7	-12
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	94.12	-0.1	2.1	3.1	4.7	0.8
	Euro	1.16	-0.2	-2.6	-3.8	-5.4	-1.6
	Japanese yen	113.95	-2.4	-3.8	-4.1	-9.4	-8.5
	Pound sterling	1.37	1.5	-1.6	-1.0	0.1	5.4
EMEs	JP Morgan EM Currency Index	54.81	-0.8	-3.3	-3.6	-5.4	0.8
	Ruble	70.94	2.5	3.0	5.7	4.7	10.5
	Brazilian real	5.64	-3.4	-7.5	-3.5	-7.8	2.0
	Mexican peso	20.56	0.4	-3.3	-1.5	-3.2	3.6
	Chinese yuan	6.41	0.6	0.9	1.1	1.9	5.0
	Turkish lira	9.61	-7.5	-12.0	-13.7	-22.7	-14.0
	South African rand	15.24	-1.1	-4.2	-4.9	-3.6	7.6
10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	1.56	7	33	-7	64	78
	Germany	-0.11	9	36	10	47	52
	Japan	0.09	3	8	0	8	7
	UK	1.03	1	47	19	84	82
EMEs	Russia	8.22	90	138	111	230	212
	Brazil	12.22	110	267	309	531	437
	Mexico	7.49	13	61	60	197	133
	China	2.97	9	12	-19	-17	-21
	Turkey	19.35	150	250	162	690	654
	South Africa	10.18	59	100	90	144	89
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	14	8	8	8	7	5
	Germany	10	0	-1	-2	-2	-2
	Japan	20	0	2	2	4	1
	UK	7	0	-1	-1	-7	-9
EMEs	Russia	83	-6	-4	-17	-6	-23
	Brazil	245	39	70	54	101	24
	Mexico	103	1	6	9	22	-24
	China	46	2	7	-34	18	-65
	Turkey	444	17	66	29	138	-108
	South Africa	207	-3	7	-6	5	-68
Stock indices (points, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	4,605	6.9	4.8	10.1	22.6	40.8
	MSCI Europe	2,074	4.4	0.6	4.6	12.7	36.6
	MSCI Japan	1,229	-1.3	5.6	5.8	11.2	25.9
	MSCI UK	2,035	2.2	2.8	4.1	12.4	30.0
EMEs	MSCI EM	1,265	0.9	-1.0	-6.1	-2.1	12.8
	MSCI Russia	878	3.9	14.1	25.4	31.3	72.2
	MSCI Brazil	1,428	-9.1	-24.7	-19.1	-23.9	4.6
	MSCI Mexico	5,182	-0.3	-1.4	6.4	13.4	41.7
	MSCI China	92	3.1	-2.1	-15.8	-14.9	-10.9
	MSCI Turkey	1,697,330	7.6	8.6	14.5	0.3	30.4
	MSCI South Africa	1,424	0.6	-1.9	-4.1	4.9	14.2

* Advanced economies.

Sources: Bloomberg, Moscow Exchange, Cbonds.ru, Bank of Russia calculations.

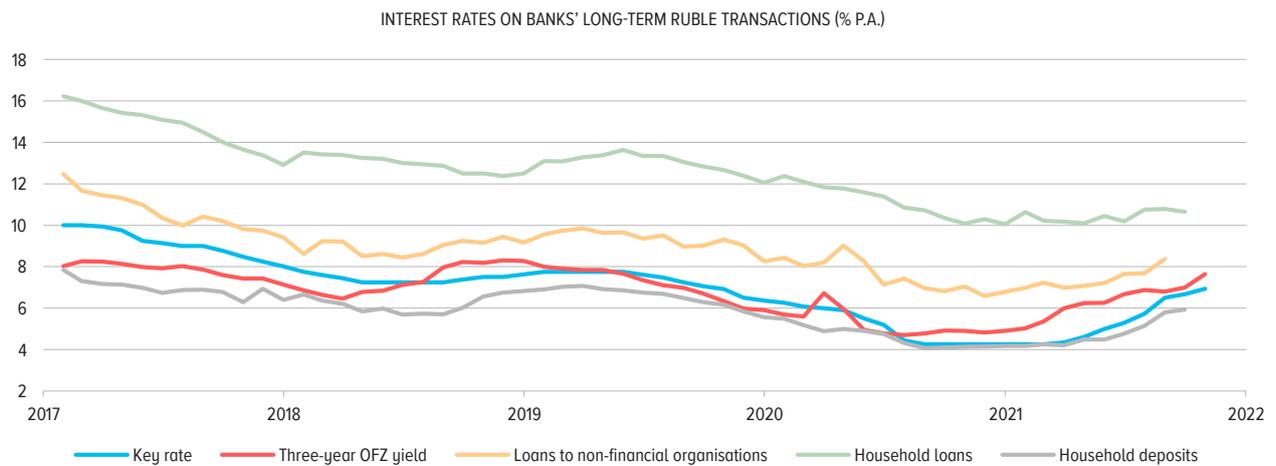
IN OCTOBER, MARKET MORTGAGE RATES GREW NEGLIGIBLY

Chart 12



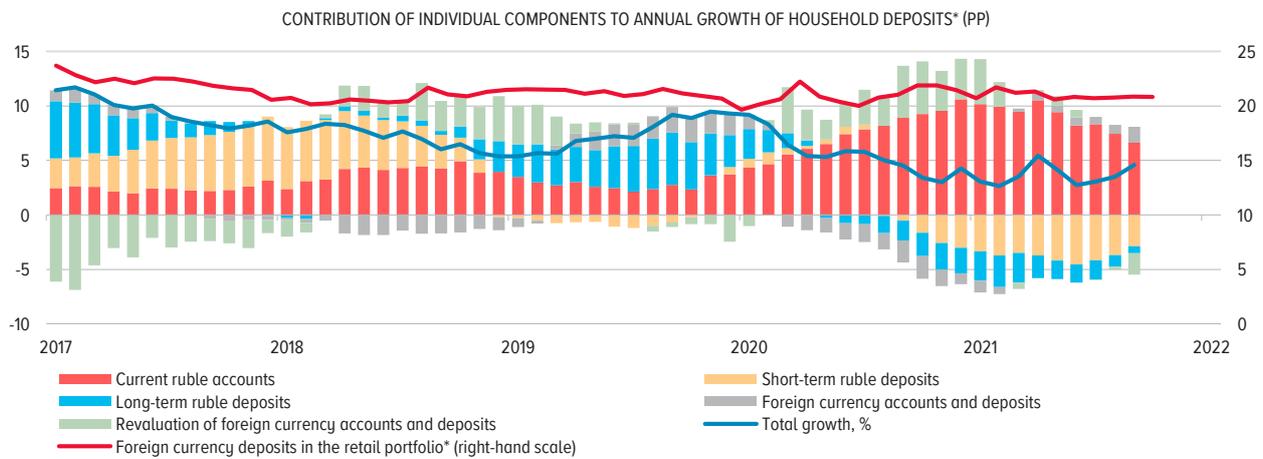
THE SEPTEMBER GROWTH IN DEPOSIT AND CREDIT RATES WAS COMPARABLE WITH THE KEY RATE INCREASE

Chart 13



IN SEPTEMBER, THE INFLOW OF HOUSEHOLD FUNDS IN BANKS PICKED UP

Chart 14

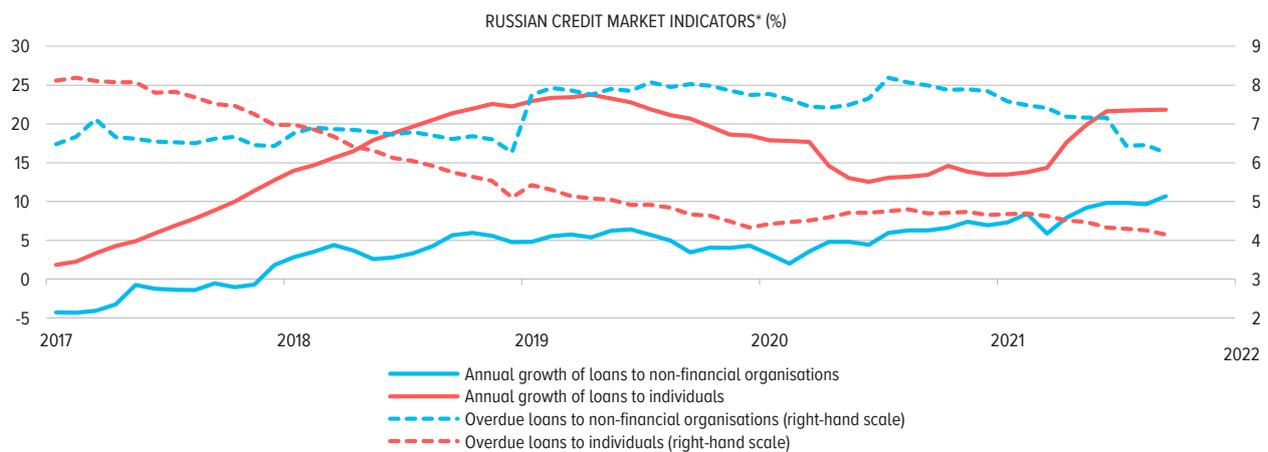


* Excluding escrow accounts.

Source: Bank of Russia calculations.

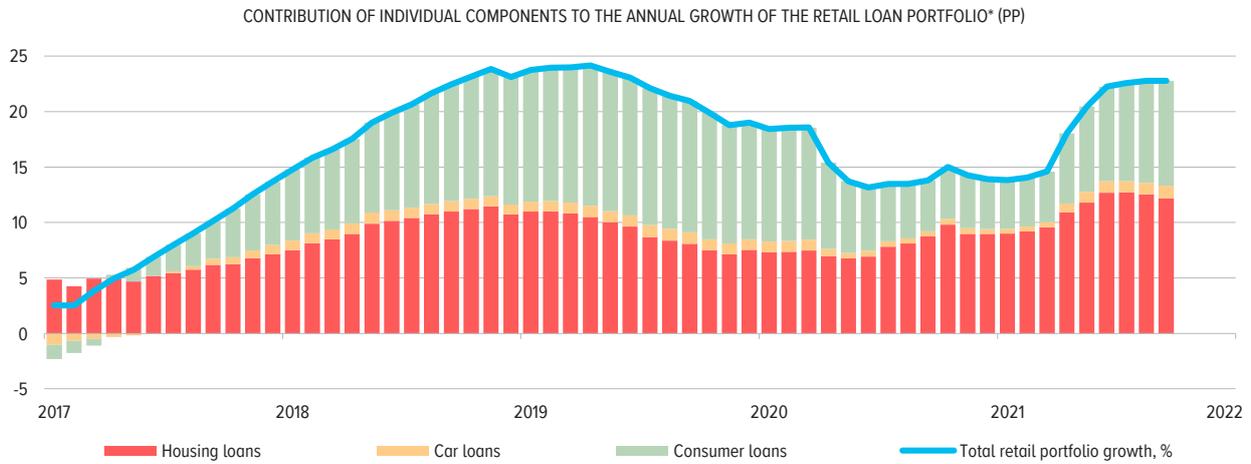
IN SEPTEMBER, THE GROWTH OF CORPORATE LENDING SPED UP AGAIN, THE PORTFOLIO QUALITY REMAINS STABLE

Chart 15

* From 1 February 2021, the portfolio of loans to non-financial organisations includes acquired claims. The calculation of portfolio growth is net of acquired claims.
Source: Bank of Russia calculations.

SEPTEMBER SAW SIGNS OF SLOWING ACTIVITY IN THE CONSUMER LENDING SEGMENT

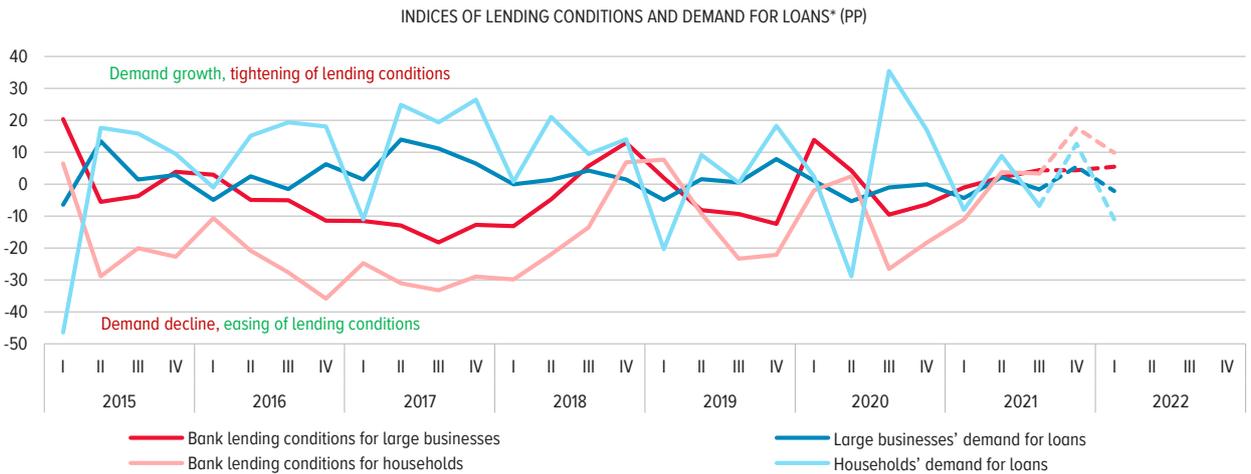
Chart 16



* For loans grouped into homogeneous loan portfolios.
 Source: Bank of Russia calculations.

IN THE COMING SIX MONTHS, BANKS ANTICIPATE TIGHTENING OF LENDING CONDITIONS FOR CORPORATE AND RETAIL CUSTOMERS

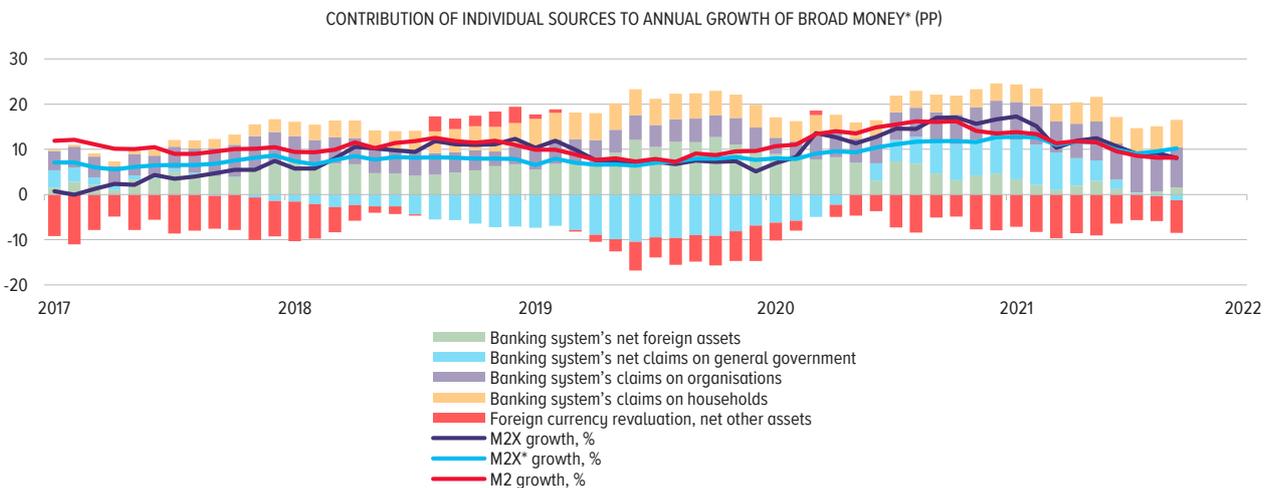
Chart 17



* The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2021 Q3.
 Source: Bank of Russia.

INCREASE IN CLAIMS ON THE ECONOMY REMAINS THE MAIN SOURCE OF EXPANDING MONEY SUPPLY

Chart 18



* Adjusted for foreign currency revaluation.
 Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

Indicator		June 2021	July 2021	August 2021	September 2021
Interest rates on banks' long-term ruble transactions					
– household deposits	% p.a.	4.8	5.1	5.8	5.9
– household loans	% p.a.	10.2	10.8	10.8	10.7
– corporate loans	% p.a.	7.6	7.7	8.4	-
Household deposits*	% YoY, AF CR	2.7	3.1	3.5	4.6
– in rubles*	% YoY	2.5	3.0	3.4	4.0
– in foreign currency	% YoY	3.5	3.3	3.9	7.0
– share of foreign currency*	%	20.7	20.8	20.9	20.8
Loans to non-financial organisations**	% YoY, AF CR	9.8	9.8	9.6	10.7
– short-term (up to 1 year)	% YoY, AF CR	7.2	10.7	10.4	11.5
– long-term (more than 1 year)	% YoY, AF CR	11.1	12.3	11.8	13.2
– overdue loans	%	7.2	6.4	6.5	6.3
Household loans**	% YoY, AF CR	21.6	21.7	21.8	21.8
– housing mortgage loans	% YoY, AF CR	29.0	28.7	27.8	26.7
– unsecured consumer loans	% YoY	17.0	17.8	18.5	19.2
– overdue loans	%	4.3	4.3	4.3	4.2
Banking system's claims on the economy	% YoY, AF CR	13.1	13.5	13.7	14.3
– on businesses	% YoY, AF CR	10.3	10.8	11.0	11.9
– on households	% YoY, AF CR	20.4	20.7	20.7	20.7
Money supply (monetary aggregate M2)	% YoY	9.5	8.6	8.2	8.2
Broad money	% YoY, AF CR	9.9	9.1	9.5	10.2

* Excluding escrow accounts

** From 1 February 2021, the portfolio of loans to non-financial organisations and households includes acquired claims. The calculation of portfolio growth is net of acquired claims.

Note: YoY – year-over-year; AF CR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Money market and overnight rates (RUONIA)' section – 9 November 2021 (reserve requirements are an important part of Bank of Russia instruments to manage banking sector liquidity and money market rates. Therefore, the analysis of the effectiveness of the Bank of Russia's monetary policy operational procedure should take into account required reserves averaging periods. In October–November 2021, this period is from 13 October 2021 to 9 November 2021);
- 'Market yield curves and key rate expectations' and 'Public debt market' sections – 29 October 2021;
- 'Credit and deposit market' section – 1 October 2021.

A soft copy of the [information and analytical commentary](#) is available on the Bank of Russia website.Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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