



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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

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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

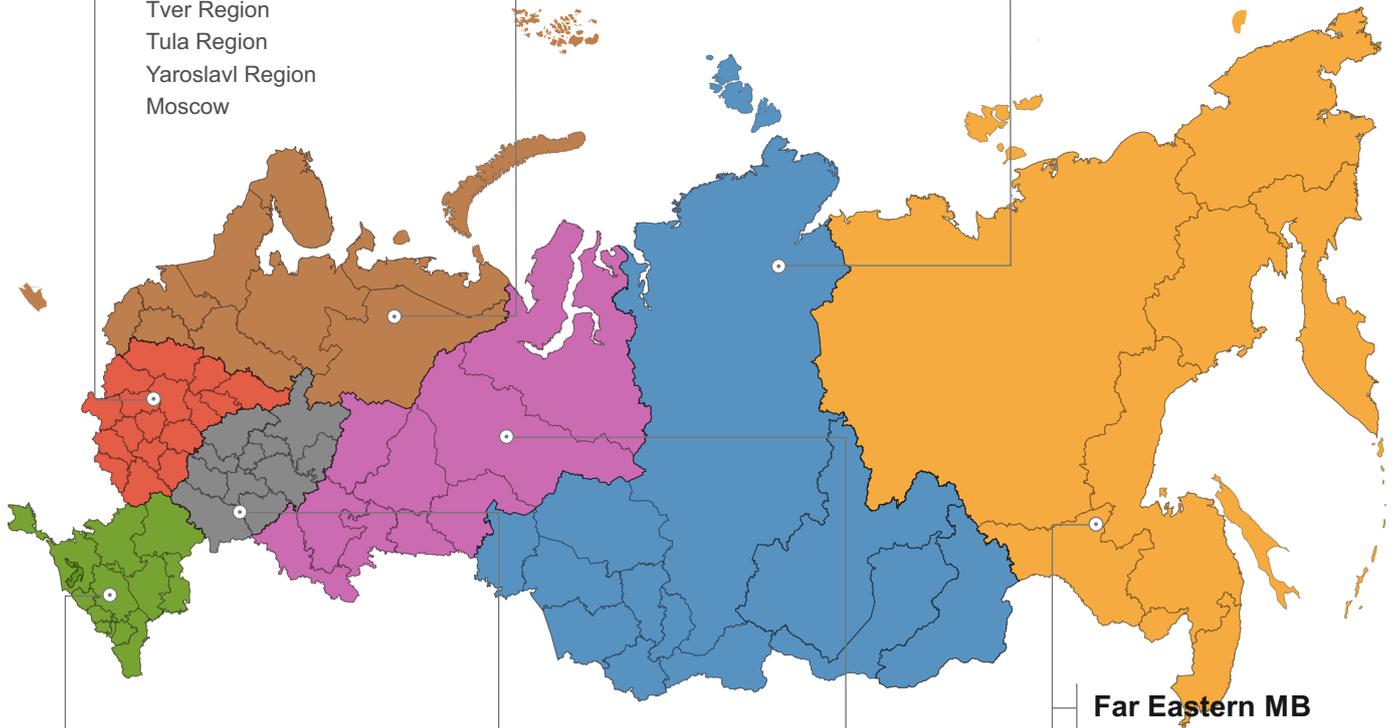
North-Western MB

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

20
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 14,000 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 April 2022, we surveyed 13,794 companies.

RUSSIAN FEDERATION

Inflationary pressure weakened in April–May as soaring demand diminished, the ruble strengthened, and households and businesses considerably lowered their inflation expectations. Proinflationary pressure caused by disruptions in production and logistics chains and readjustment of demand amid sanctions decreased, yet remained considerable. Companies managed to cope with some problems associated with disturbances in raw material and component supplies, although their costs rose. The mortgage market revived somewhat in early May after the interest rate under the government subsidised lending programme was reduced.

In April–May, **consumer activity was moderate** in most Russian regions. Traffic in cafés and restaurants, entertainment centres, and shopping malls declined. Sales contracted, which was because surging demand quickly dwindled amid a stronger ruble and households shifted towards savings due to higher uncertainty and lower real incomes, among other factors. Retailers reported that their inventories and the range of imported goods shrank. Nearly a half of trade companies faced disruptions or cancellations of deliveries. In the conditions of extremely limited supply of new cars associated with disturbances in supplies and the stoppage of assembly plants, customers' demand shifted towards the secondary market. Tourists refocused on domestic destinations, such as Moscow, Saint Petersburg, the Volga Region, and Altai, which boosted the demand for passenger transportation and accommodation services.

Economic activity across industries became more heterogeneous, which was coupled with an increase in structural imbalances observed in the labour market (see the Box '*The impact of structural changes in the economy on the labour market*'). As the machine building, metal processing, chemical and petrochemical sectors recorded a surge in the demand for their products that can substitute imports, companies reached full capacity utilisation, which brought to the fore the problem of insufficient working capital and staff shortages. Contrastingly, companies in industries focused on exports (fuel production, wood processing, and coal mining) or critically depended on imported components (car makers and other assembly plants) were forced to reduce their output and headcount.

Annual inflation equalled 17.8% in April 2022. The monthly price growth rate edged down gradually, dropping to close to zero in the second half of May. Pressure on prices remained high mostly in the food market, including due to increased costs. In particular, dairy product manufacturers countrywide complained about soaring costs for containers, packages and equipment that became either more expensive or partially unavailable and thus required rearrangement of production processes. Households' inflation expectations decreased in April–May 2022, returning to the level of May 2021. Companies' short-term price expectations also declined to the level of early 2022 owing to a stronger ruble, lower demand for companies' products, and a slightly slower rise in costs.

Businesses and households still consider that monetary conditions are tight. After the interest rate under the subsidised mortgage lending programme was reduced to 9% in early May, the market started to revive, which should lower the risk of a downturn in housing construction (see the Box '*The housing market and current trends in housing construction*').

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Retailers report that consumers' demand shifted towards cheaper products and non-food imports and stocks contracted. The operation of most automobile assembly lines in the macro-region is still suspended, and manufacturers are actively searching new suppliers and target markets, whereas some enterprises have to address the issue of a change in ownership. As the demand for pharmaceuticals under state contracts is guaranteed, output in this industry expanded. Banks report an increased number of applications for subsidised mortgage loans under the new terms.

NORTH-WESTERN MAIN BRANCH. Industrial enterprises face problems with the maintenance of foreign equipment. The refocusing of exports on Asian countries is complicated due to a considerable increase in logistics costs. Dairy product manufacturers complain about a deficit of packages. During the May holidays, some regions recorded nearly full occupancy in many hotels and recreation centres, with tourism companies staying positive about the coming season.

VOLGA-VYATKA MAIN BRANCH. Disruptions in machine and equipment imports affected the implementation of current investment projects. Large aircraft groups plan to build up the output of domestic cargo and passenger planes. However, enterprises face the problems of substitution of imported components and staff shortages.

SOUTHERN MAIN BRANCH. Chemical companies remained dependent of high technology components from European countries. Agricultural machinery enterprises were able to rearrange their logistics chains or find alternative suppliers, although their costs increased. The tourist flow in the macro-region remains limited due to the closure of some airports.

URAL MAIN BRANCH. Oil refineries have surplus inventories of fuel that was previously exported. Machine building and metal processing enterprises, selling their products mostly to the mining and quarrying sector and construction companies, partially settle their problems with component supplies for manufacture.

SIBERIAN MAIN BRANCH. Consumer activity trended downwards. Amid the tightened sanctions and surplus inventories, coal producers reduced their current output and targets for 2022. The operation of Siberian metallurgical and chemical companies remains stable.

FAR EASTERN MAIN BRANCH. Due to the problems with insurance of oil tankers, oil output significantly contracted. Cargo transportation through Far Eastern seaports shrank due to both a decline in foreign companies' freight traffic and anti-pandemic measures in China. The demand for mortgage loans remained focused on the primary market owing to the implementation of the government subsidised lending programmes, first of all the Far Eastern Mortgage programme.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2022	100	34	11	12	14	13	11	5
Inflation	% YoY	Apr 22	17.8	18.0	17.7	18.3	18.1	17.1	19.5	14.8
Core inflation	% YoY	Apr 22	20.4	20.8	20.4	21.3	19.4	19.5	22.2	16.7
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	Mar 22	5.8	14.0	5.7	8.4	5.3	5.5	6.1	5.0
Fixed capital investment	Cumulative, % YoY	Q4 21	7.2	14.8	-1.6	2.1	-0.1	-0.2	10.6	0.4
Construction	3MMA, % YoY	Mar 22	4.4	3.1	-4.6	19.3	-16.4	5.0	26.9	0.8
Housing commissioning	3MMA, % YoY	Apr 22	50.8	73.5	45.1	13.2	69.2	28.3	46.4	59.8
Retail	3MMA, % YoY	Mar 22	3.7	3.1	5.8	3.6	6.8	3.1	6.9	1.2
Commercial services	3MMA, % YoY	Mar 22	10.6	21.0	3.9	6.4	6.5	8.6	6.0	-2.5
Real wages	3MMA, % YoY	Q4 21	4.8	7.4	2.6	4.4	0.9	2.5	4.6	4.2
Real disposable income	% YoY	Q4 21	1.3	7.2	4.7	-1.1	-1.1	-1.8	-0.2	-0.8
Unemployment rate	SA, %	Mar 22	4.2	3.0	3.1	3.3	7.1	3.7	5.1	4.4
Outstanding consumer loans ²	% YoY	Apr 22	12.0	13.5	11.1	10.6	13.9	10.1	12.2	9.9
Outstanding mortgage loans	% YoY	Apr 22	23.5	24.6	23.3	20.8	27.8	18.8	23.0	31.5
Funds in escrow accounts	% YoY	Apr 22	110	115	170	85	72.3	89	93.4	120
Non-financial organisations' outstanding bank loans	% YoY	Mar 22	17.6	14.8	39.2	12.0	16.8	22.3	14.5	8.5
• Large borrowers	% YoY	Mar 22	15.1	11.3	46.6	8.0	10.7	21.1	12.5	4.4
• SMEs	% YoY	Mar 22	30.4	39.4	13.2	23.5	33.2	30.2	21.6	24.8
Companies' price expectations ³	Balance of responses, SA	May 22	28.3	34.3	27.2	38.5	21.3	30.0	27.2	25.3
Business Climate Index	pp YoY	Apr 22	-12.9	-16.4	-16.3	-15.6	-11.4	-10.6	-9.4	-8.6
• Current estimates	pp YoY	Apr 22	-15.1	-19.1	-19.1	-17.9	-13.5	-9.8	-12.1	-11.4
• Expectations	pp YoY	Apr 22	-10.4	-13.4	-13.3	-13.1	-9.1	-11.4	-6.4	-5.5

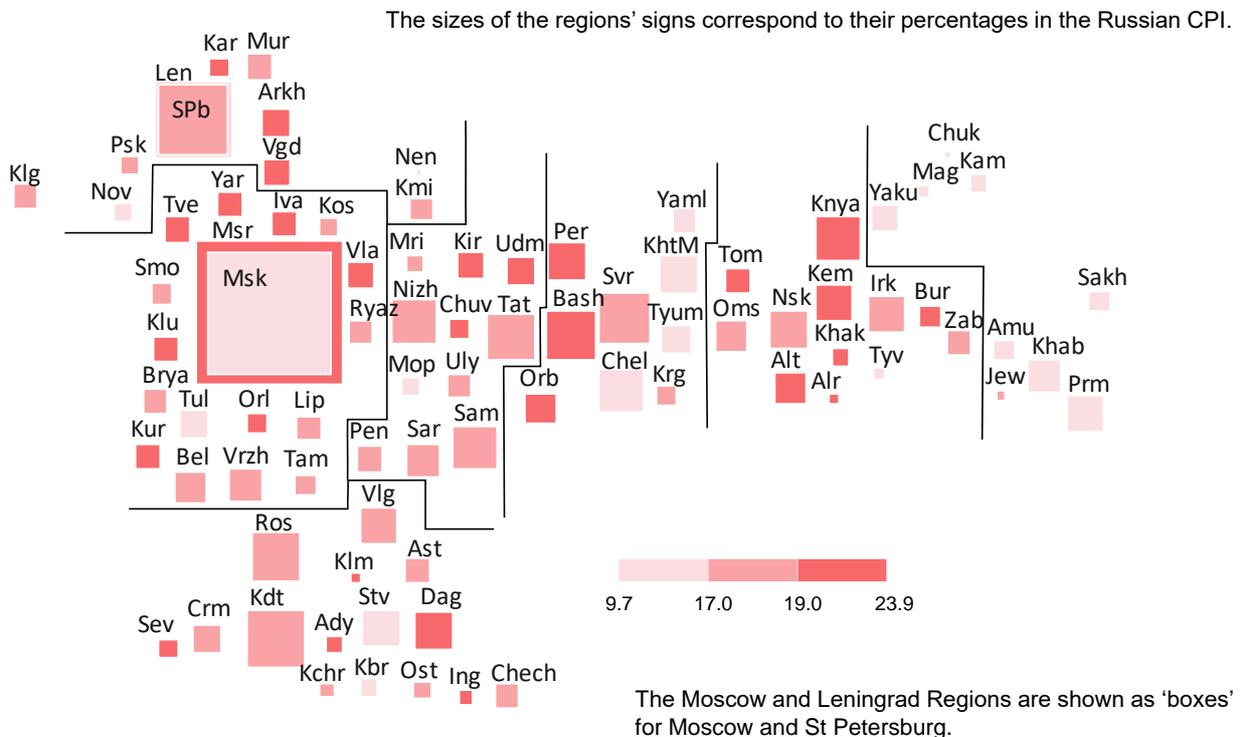
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

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 April 2022, % on the same month last year



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

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In April—the first half of May, consumer activity in the macro-region edged down. Trade companies were mostly pessimistic about future demand. Nearly a half of trade companies faced disruptions or cancellations of deliveries. Households shifted towards savings, and enterprises started to reduce production costs. Current price growth slowed down significantly. Businesses' price expectations lowered. High deposit rates encouraged households' savings.

CONSUMPTION AND INCOMES. In April–May, consumer activity in Central Russia declined. Over the first half of May, traffic in Moscow shopping malls considerably decreased year-on-year. According to the recent survey, nearly a half of the macro-region's trade companies complained about disruptions or cancellations of deliveries. Over a third of importers in trade faced difficulties with finding alternative suppliers. Retailers reported a reduction in imports, their inventories and the range of non-food goods and a shift of demand towards cheaper food products. Consumers sought to cut their spending due to lower incomes. Consequently, people's preferences switched from cafés and restaurants to fast food. Trade companies remained pessimistic about future demand. The Moscow Region and Voronezh reported an increased number of self-employed persons in trade.

PRICES. In April, monthly price growth (seasonally adjusted) in the macro-region significantly slowed down as soaring demand diminished and prices for medicines, sugar, and goods with electronic components adjusted downwards. According to weekly data, price growth continued to decelerate in May. Businesses' price expectations trended downwards as before amid a slower rise in costs and weakening demand. Another reason for the decline in short-term price expectations was a stronger ruble. Nonetheless, the market is still impacted by medium-term proinflationary factors, such as disruptions in production and logistics chains (including in imports) and the contraction of supply of some goods and services (including due to decreasing product inventories).

MONETARY CONDITIONS AND BANKING SECTOR. According to the recent surveys carried out by the Bank of Russia in April and the first half of May, the proportion of companies in the macro-region reporting lower loan affordability is decreasing gradually. This is owing to the reduction in the Bank of Russia key rate and the launch of the government subsidised lending programmes for businesses in April. In early May, amid the decrease in the interest rate under the subsidised mortgage lending programmes to 9% per annum and the resumption by developers of their own subsidised mortgage lending programmes, the number of mortgage loan applications edged up. In April, although deposit rates declined following the key rate reduction by the Bank of Russia, they remained double-digit, which supported households' saving activity in the macro-region.

PHARMACEUTICALS. In the conditions of restrictions on international transportation and the exit of some foreign suppliers from the market, medicine manufacturers faced a deficit of pharmaceutical substances, excipients, and various types of packaging materials. While continuing to manufacture

pharmaceuticals owing to their raw material inventories, companies actively search alternative supply channels. However, the process of substitution of components and packaging materials will increase the risks of disruptions in the manufacture of some medicines. Specifically, according to a large enterprise's assessment, the replacement of capsules alone in the case of the current foreign supplier's exit from the market will require changes to the registration dossiers of the medicines manufactured, which will take nearly 18 months. State support helps establish fully integrated production facilities and reduce pharmaceutical companies' dependence on foreign suppliers. The system of long-term contracts implemented in the metropolitan area enabled an increase in the output of pharmaceuticals and medical goods. A further expansion of output will be promoted by steady demand under state contracts and new organisations from related industries that will enter the pharmaceutical market. Specifically, large companies in laboratory diagnostics and healthcare e-commerce started to manufacture biologically active food supplements under their own brands.

MILK AND DAIRY PRODUCTS. The growth of milk output in the macro-region over the first four months of 2022 was driven by higher productivity and the expansion of the dairy herd. In 2021–2022, new dairy factories opened in the Bryansk, Kursk and Yaroslavl Regions also contributed to higher output. Nonetheless, the implementation of new investment projects slowed down or was suspended due to higher costs. Market participants believe that this is a temporary trend and expect investment activity to recover as local manufacturers are interested in this industry amid declining imports of a range of dairy products from unfriendly countries. Milk producers and processors having production capacities in Central Russia complain about insufficient supply of veterinary medicines and premixes, as well difficulties with supplies of packages and spare parts for machinery and equipment. Some products are already supplied in new packages made of cheaper materials.

MANUFACTURE OF VEHICLES. Disruptions in technological, production and logistics chains caused a slump in the output of vehicles in Central Russia, which affected the automobile cluster the most. The operation of most automobile assembly lines is suspended at the moment. Namely, a large plant of a foreign auto group that had suspended its operation in Russia was transferred to the Moscow Government with the aim of resuming the manufacture of cars under a domestic brand and preserving most jobs there. The operation of a number of manufacturers of components for vehicles was interrupted. Some companies managed to refocus on alternative domestic and foreign raw materials and components and find new target markets. Others are actively working to reduce the proportion of imported components in their manufacture. Certain vehicle manufacturers consider the exit of some foreign competitors from the Russian market as an opportunity for substituting imports and expanding production capacities. Several railway machinery manufacturers maintained and increased their output targets owing to large orders and long-term contracts. In particular, a large rail car builder reported that it replaced the supplier and continued manufacture.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region was moderate in April–May. Companies' price expectations went down, while staying elevated. Industrial enterprises face problems with the maintenance of foreign equipment. Dairy product manufacturers complain about a deficit of packages made of imported raw materials and are gradually switching to domestic packaging. Tourism companies remain positive about the coming season.

CONSUMPTION AND INCOMES. In April–May, consumer activity in the macro-region remained below the levels of last year, including due to a decline in retail lending. There was a reduction in the sales of cars, home improvement goods, clothing, footwear, sports equipment, medicines, and pet supplies. Cinemas faced a slump in revenues as there are no premières of foreign movies. The suspension of operation at automobile plants and a shortage of new cars boosted the development of the market of used cars. In May, a venue for selling used cars, which is one of the largest in Russia, opened in Saint Petersburg.

As some enterprises suspended their operation, employees' incomes declined. Nevertheless, as shown by the May survey, most companies do not plan headcount reductions in the near future.

PRICES. In April, annual inflation in the North-West sped up to 17.7% (from 17.1% in March). Contrastingly, monthly price growth (seasonally adjusted) decelerated, which was mainly owing to a stronger ruble and households' weaker demand for certain non-food goods. According to weekly data, prices for some goods, namely TV sets and medicines, continued to adjust in May for the same reasons.

Companies' higher costs remained a significant proinflationary factor. For instance, dairy product and bakery manufacturers reported an increase in output prices amid persistently rising costs, including because of more expensive raw materials and packaging. A regional manufacturer of canned fish complained about a deficit of cans caused by logistics problems and higher prices for metals, in view of which it plans to raise output prices for its products.

According to the May survey, companies' price expectations continued to decrease across all main industries in the North-Western macro-region, while still staying elevated.

MONETARY CONDITIONS AND BANKING SECTOR. The reduction in the key rate in April and the measures implemented by the government to support businesses boosted corporate lending. As shown by the survey, the number of enterprises reporting lower loan affordability edged down in May, as compared to the previous month.

Consumer loan disbursements were down amid high interest rates. The number of consumer loans issued in Saint Petersburg in April more than halved in annualised terms. However, the demand for loans under the government subsidised mortgage loan programmes, including the 6.5% Family Mortgage programme, remains high in the macro-region.

As interest rates on bank deposits remain attractive, the inflow of funds into term deposits continued. Specifically, funds deposited by households in the North-West with banks over January–April exceeded the amount of the same period last year several times.

WOOD PROCESSING AND FURNITURE MANUFACTURE. Wood processing enterprises and furniture manufacturers reported a shrinkage of the demand for their products. According to a large manufacturer in the Vologda Region, it is complicated to redirect exports to Asian countries as delivery costs in this case might double or triple and delivery periods will considerably extend. Some companies reported that their warehouses are filled to capacity with end products and were forced to suspend their manufacture.

Furthermore, the maintenance of foreign equipment is complicated. To address this problem, a regional wood processing enterprise launched its own maintenance shops in April.

Furniture manufacturers continued to face difficulties with imports of fittings and consumables. The suspension of the operation of a large European manufacturer of home improvement goods (its plants and stores), including in the North-Western macro-region, affected the related businesses.

DAIRY PRODUCTS. The output of dairy products in the macro-region contracted year-on-year. A serious problem for many companies in this industry was a shortage of Tetra Pak packaging. Due to the lack of required packages, plants in some regions switched to plastic bottles and other containers mostly made of Russian raw materials.

Despite temporary difficulties, some companies in the industry maintain their plans for production development. An ice cream manufacturer in the Vologda Region expanded the range of its products by launching a new production line using domestic equipment. Changes in the market provide new opportunities for developing small business. Namely, a company in one of the regions started to implement a project aiming to expand its own raw material base for manufacturing goat cheese.

TOURISM. During the May holidays, the tourist flow in a number of regions in the North-West was comparable with 2019 readings, and many hotels and recreation centres reported nearly full occupancy. The Leningrad Region reported a surge in the demand for countryside housing rent. Conversely, the tourist flow in Kaliningrad over the same period decreased by 10% year-on-year. Hotels recorded a rise in their operating costs (food, bathroom kits), which was more considerable than last year. In some regions of the North-West, hotels reported a decrease in the depth of tour booking. The tourist flow will contract in Saint Petersburg as the city was excluded from the routes of foreign companies' cruise ships. Overall, companies in this industry remain optimistic about 2022: the Novgorod Region expects a larger number of tourists than in 2021; Saint Petersburg and the Leningrad Region assume that the number of guests will remain nearly the same as in the previous year.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



According to Volga-Vyatka enterprises, output and demand trends remained negative in April–May. In the consumer segment of the economy, the demand for durable goods declined most notably, including due to households' higher propensity to save. Investment activity was hindered by intensifying problems with machine and equipment imports. This also affected construction. Some machine building subsectors benefited from future import substitution, although faced output expansion constraints.

CONSUMPTION AND INCOMES. Retail demonstrated weak dynamics in April–May. The demand for food products stabilised, whereas the demand for non-food goods edged down. A decline in real incomes was a drag on consumer activity, and demand shifted to a cheaper segment. Furthermore, many consumers transferred available funds to deposits for at least three months. Tight conditions in consumer lending was one of the reasons behind lower demand for electronic devices and cars. Nevertheless, some auto dealers reported that demand in the premium segment remained at the same level, but such cars were out of stock.

Shopping mall traffic was still low, including because of the reduction in the common range of goods after some foreign companies suspended their operation. This caused a decrease in revenues of other lessees, with some of them forced to close their stores. Shopping malls expect that only a part of foreign brands will resume their work and the process of their substitution might take time.

Contrastingly, consumption trends in services were more positive in April–May. Demand in public catering bounced back, but costs increased and companies now need to adjust their menus and search new suppliers. Occupancy rates in hotels in the tourist cities were high during the May holidays. One of the regions recorded higher demand for countryside housing rent in May, as compared to the previous season.

PRICES. Annual inflation continued to accelerate in April, reaching 18.3%. Contrastingly, current price growth (seasonally adjusted) slowed down significantly, while staying elevated. A faster rise in the annual growth rate of consumer prices was mostly driven by higher prices for food products (milk, vegetable oils and dairy butter, pasta and cereals, bread, and confectionery). Conversely, prices for electrical goods and household appliances declined amid a stronger ruble and weaker demand. As for services, the increase in prices for foreign travel decelerated notably. However, the annual growth rate of prices for other services, e.g., hairdressing and medical services, accelerated further due to higher costs for consumables and supply problems.

Companies' price expectations continued to edge down in May as they adjusted to the new conditions: the number of businesses reporting high prices for raw materials and components and disruptions in supplies decreased again.

MONETARY CONDITIONS AND BANKING SECTOR. In April, households' debt on consumer loans in the Volga-Vyatka macro-region continued to decline, as in March. The monthly growth of the mortgage portfolio remained positive, although slowed down significantly. According to recent

data, the amount of subsidised new housing mortgage loans issued in April–May was also at the lowest level since the launch of the programme.

However, surveyed banks expect the demand for loans to bounce back gradually within six months. This is associated with the reduction in the Bank of Russia key rate that has already caused a decrease in interest rates on consumer loans, as well as better terms of subsidised mortgage loans.

Business surveys in April also showed an improvement in lending conditions, although they remained tighter than at the beginning of the year.

AIRCRAFT INDUSTRY. Air carriage is one of the markets hit most seriously by the tightening of the sanctions. Nonetheless, the domestic aircraft industry will benefit from the coming structural changes as the country needs extensive import substitution.

Large aircraft groups in the Volga-Vyatka macro-region have already announced their plans to significantly ramp up the output of domestic passenger and cargo planes. However, companies expect that the expansion of output will involve difficulties. In the first place, they will need to arrange new production and logistics chains and substitute imported components. Secondly, the new conditions limit the opportunities for buying high-performance equipment, due to which they will have to notably increase their headcount. Moreover, one of the companies have already faced a shortage of required specialists in the labour market. In this regard, it plans to hire specialists from other regions, as well as retrain workers available in Volga-Vyatka.

The need to develop import substitution in the aircraft industry impacted the manufacturers of related equipment as well. Specifically, a regional instrument-making plant organised additional work shifts to build up its output.

CONSTRUCTION. The macro-region had been considerably increasing construction volumes for a year through 2022 Q1 as a result of the fast expansion of the economy and substantial budget expenditures for infrastructure projects. Many of the earlier launched projects were preserved, but their implementation was affected by the sanctions.

In recent months, companies have been facing difficulties in construction that are mostly caused by disruptions in equipment imports or the need to substitute imported equipment for domestic alternatives. In particular, in the course of constructing a large enterprise to be engaged in municipal solid waste management, the equipment deliveries from unfriendly states scheduled for February were cancelled, and the preparation of the design of the building for a regional healthcare organisation is delayed as it is necessary to substitute foreign construction materials and equipment for Russian alternatives. Contrastingly, a liquefied natural gas producer planning to construct an LPG plant managed to find domestic substitutes for foreign equipment planned to be use earlier.

Another factor affecting construction is the cancellation of international events in Russia. Namely, one of the cities in the macro-region had to suspend construction projects for sports events.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Companies in the macro-region are gradually adjusting to the new internal and external conditions. There is a growing number of businesses that have managed to rearrange imports of raw materials, equipment, and components. Consumer activity remained moderate, and lending was supported owing to government subsidised programmes. The tourist flow was limited as some airports were temporarily closed. Chemical enterprises plan to ramp up their output. The demand for domestic agricultural machinery edged up, due to which manufacturers are expanding supplies in the domestic market.

CONSUMPTION AND INCOMES. In April–May, consumer activity in the macro-region declined, dragged down by higher prices and still tight monetary conditions. Soaring demand (recorded in late February–the first half of March) diminished. Remote sales channels continued to develop. The Astrakhan Region opened a new logistics centre, and the region became one of the leaders in terms of the increase in the number of online sellers since the beginning of 2022 in one of the Russian largest online stores.

Temporary restrictions on flights in the Southern macro-region put downward pressure on incomes of those employed in this industry. Due to a shortage of components, some manufacturing enterprises introduced part-time employment schemes. However, as businesses adjusted to the changed conditions, the proportion of those using part-time employment schemes decreased. In contrast to April when one in nine enterprises surveyed by the Bank of Russia reported such practice, their number halved in May.

PRICES. In April 2022, annual inflation in the South of Russia sped up by 1.5 pp, as compared to the previous month, reaching 18.1%. The monthly growth of prices (seasonally adjusted) slowed down. According to the May survey, the proportion of companies that raised their output prices declined to 25% from 42% a month earlier. Fewer companies mentioned ruble exchange rate fluctuations as a driver of higher prices, whereas more companies referred to higher costs due to more expensive raw materials, components, and logistics. Namely, a large greenhouse complex in the Republic of Daghestan reported a 30% increase in costs since the beginning of the year pushed up by higher prices for fertilisers. Another large enterprise in the macro-region raised prices for its non-alcoholic drinks due to higher costs for preforms, flavouring agents, coloured labels, and components for equipment.

The proportion of companies planning to increase prices in the next three months decreased from 35% to 21% (with over third of them planning 6% to 15% price rises).

MONETARY CONDITIONS AND BANKING SECTOR. Large companies' credit activity remained unchanged in early May, whereas small and medium-sized businesses demonstrated higher demand for credit. There was also an increase in the demand for government subsidised loans. Some banks reported higher demand from corporate borrowers and under in-house subsidised

lending programmes. A number of enterprises faced tighter lending conditions (delayed consideration of loan applications, lower lending amounts, tighter requirements for collateral). As market rates declined following the decrease in the Bank of Russia key rate, households' demand for consumer and mortgage loans revived slightly in the first half of May, according to estimates. Contrastingly, the inflow of funds into fixed-term bank deposits slightly slowed down.

CHEMICAL INDUSTRY. In April, chemical enterprises' inventories of finished goods contracted as the demand in the industry exceeded the output. Companies reported higher costs for raw materials. Moreover, they remain dependent on high technology components manufactured in unfriendly states. Specifically, a number of enterprises manufacturing polymer lacquers are highly dependent on German components, thickener, and pigments and face considerable difficulties with their supplies now.

Nevertheless, there is a market share that has become available owing to the exit of foreign companies, which gives new opportunities and encourages the development and expansion of domestic production. In particular, a perfume and cosmetics manufacturer in the Stavropol Territory significantly increased investment in business development and plans to substantially ramp up its output by expanding the range of its products. The Chechen Republic launched an investment project for producing epoxide resins mostly used in the manufacture of machinery and lacquer coatings, as well as in construction. The design capacity of the new plant is comparable with the needs of the country's entire construction industry.

AGRICULTURAL MACHINE BUILDING. The implemented sanctions partially disrupted production and logistics chains. A large machinery producer in the Krasnodar Territory has already managed to rearrange logistics chains, but this made them more extended and expensive. Some Western partners terminated component supplies to one of the largest plants in the Rostov Region, due to which it decided to switch to Chinese alternatives and speed up the implementation of its in-house programmes aimed at developing the component base. Despite the difficulties, the plant is not going to decrease its output targets and intends to reduce exports in order to cover the needs of the domestic market. Russian companies increase the demand for machinery in the domestic market, and leasing companies record lower demand for imported agricultural machinery. One of the largest agricultural holding companies of the Southern macro-region plans to expand its purchases of domestic machinery.

TOURISM. The suspension of the operation of a number of Southern airports caused a decline in the demand for vacations in the macro-region in the first half of May. Specifically, the tourist flow in the Republic of Crimea during the May holidays decreased by a third, as compared to the previous year, although it was 10% above the pre-pandemic level in 2019. The demand for resorts where the airports continued to operate was high. Namely, the tourist flow to Sochi increased by over 5% year-on-year and to the Volgograd Region – 1.5 times. Health resorts in the Stavropol Territory reported 85–90% occupancy rates, which is higher than last year.

Companies in this industry see risks of a reduction in the tourist flow in summer if the restrictions on flights are not lifted. Nonetheless, the tourist flow will be supported by a larger number of trains to Southern destinations. In particular, an additional day electric train Lastochka from Rostov-on-Don to Novorossiysk was launched on the eve of the summer season. Overall, companies' short-term expectations about demand and volumes of services became less pessimistic as compared to the previous month.

BANK OF RUSSIA URAL MAIN BRANCH



In April–May, consumer demand continued to decline in the macro-region. According to businesses, the growth of costs and output prices slowed down. Oil refineries reported surplus inventories of finished products. Machine building and metal processing enterprises partially settled the problems with component supplies, but complained about a deficit of working capital amid higher demand for their products.

CONSUMPTION AND INCOMES. In April–May, consumer activity in the macro-region edged down. Retail chains resumed marketing campaigns and discounts. Moreover, retailers expect the demand for their products to decline further in the short term. Shopping malls report a reduction in the number of lessees and available retail areas due to the termination of the operation of some foreign companies' stores. It will take time to find new lessees. This time is needed to reregister business if it is sold to new owners and to rearrange product supply channels as a result of the permission of parallel imports.

There was an increase in dismissals and internal redistributions of workers in trade. Nonetheless, the employment rate in the Urals changed only slightly. Companies continued to use part-time employment schemes only to a limited extent and introduced part-time working weeks and idle periods with partial remuneration for some employees.

PRICES. In April, annual inflation in the Urals edged up to 17.1%. As in the country in general, the acceleration of inflation was driven by disruptions in production and logistics chains amid the tighter sanctions, which entailed an increase in contractual prices, more expensive transportation and storage, and ultimately higher costs. However, in contrast to March, disinflationary factors, such as weaker demand and a stronger ruble, started to manifest their influence in April–May. This was especially noticeable in non-food price trends. The major driver of faster inflation in services was air transportation, which was due to the redistribution of the passenger flow from international destinations to domestic ones.

MONETARY CONDITIONS AND BANKING SECTOR. Following the decrease in the Bank of Russia key rate, banks lowered their credit and deposit rates in April. For the most part, lending was supported owing to the implementation of the government subsidised lending programmes for small and medium-sized enterprises and systemically important organisations in various industries. Households' credit activity edged down. After a slump in March–April, the demand for mortgage loans slightly revived in May after the interest rate under the subsidised mortgage loan programmes was reduced to 9% per annum. Lending conditions, including collateral requirements, remained tight. The quality of the loan portfolio was maintained owing to loan repayment holidays and banks' loan restructuring programmes. The dynamics of households' bank deposits remained stable.

OIL REFINING. There are two trends developing in the industry. On the one hand, manufacturers of exported products (fuels and lubricants) are forced to reduce output as foreign counterparties refuse to purchase products, whereas the opportunities to store them are limited. Some companies reported that sea transportation of a part of finished products shipped to foreign buyers turned out to be impossible and they search alternative ways for transportation. Although domestic demand

has expanded, it cannot absorb the existing surplus, while the rearrangement of production processes will take time and require extra costs. In these conditions, oil refineries extended the period for implementing their investment projects for two to three years. On the other hand, companies are taking extensive efforts to substitute imported oil and gas processing products used to manufacture various polymer products. For instance, in April, the Tyumen Region commissioned a new plant to produce maleic anhydride, the derivatives of which are used in construction, agriculture, automobile production, and the manufacture of paints and varnishes, furniture, and pharmaceuticals.

MACHINE BUILDING AND METAL PROCESSING. The situation in the industry remains extremely uneven. Some enterprises have managed to partially settle the problems with raw material and component supplies, reach full capacity utilisation, or schedule the expansion of production capacities. Specifically, enterprises manufacturing drilling machinery, pipeline fittings, construction ropes and cables, reduction gears, load-and-carry equipment, and rigging reported both the actual and expected rise in demand and output. Manufacturers that have not yet found substitutes for European imports had to introduce idle periods for their employees. The situation remained particularly challenging for those companies whose main counterparties suspended production (specifically, in the Urals, these are enterprises supplying components for automobile plants, as well as manufacturers of special machinery based on domestic vehicles). A gradual depletion of stocks and components was reported by some assembly plants, repair organisations, and manufacturers of complex electrical machinery. Most enterprises in the industry continued to face such common problems as rising costs and a shortage of working capital.

DAIRY PRODUCTS. According to processing enterprises, the main problem in the industry is higher costs, including for purchased raw materials (raw milk) due to more expensive feed components and breeding material, packaging (containers, cardboard, caps, and labels), and spare parts for equipment and agricultural machinery. They also report a deficit of working capital as subsidised loan amounts under the federal programme are limited and banks have generally extended periods for consideration of loan applications. Processing companies' opportunities to raise prices are limited even though demand is high as dairy products are socially important. In this situation, targeted state support measures are especially important for the industry, and the government plans to expand the allocations this year. The Urals regions are committed to increase gross milk production by reconstructing the existing farms and constructing new ones.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In April–May 2022, the industrial sector of the macro-region expanded output, although problems in some segments, e.g., coal production, became more acute. Companies continued to search new suppliers and target markets. Consumer activity edged down, and households still opted to save funds.

CONSUMPTION AND INCOMES. In April–May, furniture and household appliance stores reported a decline in sales and traffic. Amid low demand for foreign travel, more consumers preferred low-cost vacations in Siberia. However, occupancy rates in city hotels were low. Sewing factories recorded high demand, which was because the stores of European brands suspended their operation. Tailor shops' orders increased by 40–50%. A representative of a countrywide chain of shoe repair shops reported a threefold rise in orders, which is a record high.

PRICES. In April, inflation sped up to 19.5% (+1.1 pp), which was largely driven by food price trends. Monthly price growth remained fast due to rising costs. The agroindustrial complex complained about disruptions in logistics chains, which affected prices for imported parts (for equipment), components (veterinary medicines, fermentation starters, feed additives, breeding material), and packages. Transportation companies reported an increase in prices for spare parts. Beauty salons' costs for consumables rose by 20–40%. Nevertheless, lower demand and a stronger ruble contributed to a slowdown or reduction in prices for certain goods. For instance, retail chains reported a decline in prices for household appliances and electronic devices, as well as construction materials. A large auto dealer recorded a 10–15% decrease in prices for new cars. Enterprises in agriculture, food manufacture, trade, and construction lowered their price expectations for the next three months due to the ruble strengthening, weaker demand, and lower costs for fuels and lubricants.

MONETARY CONDITIONS AND BANKING SECTOR. In April–May, the demand for corporate loans at market interest rates was low. Contrastingly, businesses increased the demand for government subsidised loans. Furthermore, borrowers expected banks to cut credit rates following the reduction in the Bank of Russia key rate. The demand for consumer loans remained moderate. Car loan disbursements edged down. Households demonstrated rising demand for small loans to cover current needs. Mortgage loans were mostly issued under government subsidised new housing mortgage programmes. The amounts of mortgage loans issued for buying existing housing were minor. A decrease in deposit rates has not yet impacted deposit dynamics.

COAL MINING. In April–May, Siberia reduced coal mining and exports. In particular, Kuzbass, Russia's largest coal mining region, reported a 20% decrease (YoY) in coal exports in April, with coal stocks at warehouses growing by 13% (YoY). The main reasons for the negative trends were disturbances in logistics, including because of the sanctions, limited throughput capacities eastwards, and individual countries' refusal to buy Russian coal. Already in April, representatives of a large coal business noted a decrease in current output and targets for 2022. A company providing maintenance services for mining machinery reported that coal producers suspend the repair of the machinery that they do not plan to use amid the contraction of output. According to a coal producer in Eastern Siberia, there is a high probability of a temporary shutdown

of production and personnel dismissal as its European counterparty refused to purchase coal. Contrastingly, another market player sees this situation as an opportunity to settle its personnel issue as this producer is successfully expanding exports to Asia and plans to increase its headcount by 20% in summer.

Nonetheless, as reported by the Siberian coal enterprise, exports to Asia currently do not neutralise the effect of the reduction in European exports, but the rise in global prices for coals more than offset the contraction of export quantities. Domestic demand from metallurgical, energy, and housing and utility companies remains high.

METALLURGY. In April–May, Siberian metallurgical enterprises reported still favourable price trends in the market of industrial metals. Their exports remain critical for the world economy. Therefore, the industry does not expect large-scale direct sanctions and a slump in output. However, the sanctions have an indirect impact.

A large industrial metal manufacturer noted that it continues to operate as normal, but rearranged its payment schemes and logistics for raw material imports and finished goods exports. However, the performance of new sales channels is still to be seen as there is a risk of an underutilisation of production capacities in the future. In this situation, it is essential to expand sales to the Russian market. Prices for domestic consumers were reduced. Nonetheless, domestic demand cannot offset even a half of international sales that are currently complicated.

Another large industrial metal manufacturer has managed to rearrange its export logistics for the most part, but it is still unclear whether it will be able to import high technology equipment to ramp up output (even under the earlier signed contracts).

CHEMICAL INDUSTRY. A large fertiliser producer reported that the demand for its products remained high. They are mostly sold in the countries of the Eurasian Economic Union. To ensure steady exports, supplies were redirected from Europe to Southern America.

Large polymer manufacturers' output remained steadily high. Their products are purchased by Russian consumers and exported to CIS countries. European buyers still demonstrate high demand for individual products. Companies arranged new supply and payment channels for those European partners who continue cooperation. The dependence on imports is low. Imported components used in production are mostly supplied from China. One of the enterprises will soon launch its own facility to manufacture the required additive that was earlier imported from Europe for cost efficiency reasons.

A household chemical manufacturer refocused on Chinese raw materials and recorded a rise in demand after foreign companies' exit from the Russian market. A paint and coating manufacturer also reported higher demand for the same reason and plans to ramp up its output by using reserve capacities, for which it will need to hire more employees.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In May, consumer activity in the macro-region stopped to decline, and retailers became more optimistic about demand trends in the coming months. Weaker demand coupled with a stronger ruble contributed to a decrease in businesses' price expectations. Oil output considerably shrank in April–May due to oil transportation problems. Fishing enterprises faced problems with equipment supplies. Cargo transportation, including from China, contracted.

CONSUMPTION AND INCOMES. In April, retailers and service companies in the macro-region recorded a slight decline in demand, as compared to March. In the first half of May, consumer activity remained at the same level as in April. The main reason for its decline in April was non-food retail. The demand for electronic devices and household appliances weakened. A car showroom reported a slump in sales after record-high figures in February and March. Contrastingly, the sales of used cars were up. A regional retailer noted a reduction in the range of food products. In April—the first fortnight of May, there was a decrease in the number of visitors in beauty salons and public catering locations, especially those in shopping malls. According to a travel agency, the demand for its services declined in April–May, as compared to the beginning of the year. Moreover, there is a high percentage of refunds for the earlier purchased trips due to the suspension of the operation of some airports in the South of Russia, whereas the demand for flights to Central Russia increased. As shown by the survey, in May, retailers improved their expectations about demand for the next three months, as compared to April. Contrastingly, service companies became more pessimistic about future trends. Nevertheless, the number of enterprises planning to introduce part-time employment schemes decreased.

PRICES. Annual inflation sped up to 14.8% in April, which is the highest rate since October 2015. Conversely, due to a stronger ruble and lower demand, monthly price growth (seasonally adjusted) slowed down, while still staying elevated. The deceleration was mostly owing to the dynamics of prices for durable goods, including electronic devices, TV and radio goods, and cars. In the first half of May, price growth continued to slow down. Furthermore, companies, especially in the industrial sector and trade, lowered their price expectations in May. The main factor was the strengthening of the ruble. In April, the demand for products contracted as compared to March, but enterprises' expectations for the next three months increased. According to the survey, the proportion of companies reporting higher prices for raw materials and components and problems with supplies edged down by mid-May, as compared to April.

MONETARY CONDITIONS AND BANKING SECTOR. Large credit institutions reported that the amounts of mortgage loans continued to decline in April–May, as compared to February, and demand shifted towards new housing mortgage loans owing to the government subsidised programmes, especially the Far Eastern Mortgage programme. A regional credit institution reported a slight rise in the demand for consumer loans, as compared to March, including due to lower interest

rates, an easing of the requirements for borrowers, and an expansion of the range of credit products. Following the key rate reduction at the end of April, banks also decreased their deposit rates. Nonetheless, according to estimates, the amount of household deposits remained almost the same. Interest rates on corporate loans edged down gradually, but non-price lending conditions remained tough. Companies' demand for subsidised loans went up in May, as compared to April, with the most significant rise recorded among small and medium-sized businesses.

MINING AND QUARRYING. In April—the first half of May, oil output at one of the projects on Sakhalin plummeted as compared to the beginning of the year due to oil shipment problems: a shipping company transporting hydrocarbons from the project faced problems with insurance of oil tankers due to the imposed sanctions. As a result, only one of the six scheduled tankers was shipped from the project in the first half of May. The oil produced was transported to an oil storage. Another project reported an only slight reduction in oil output. The diamond mining industry faced traders' refusals to make direct purchases of raw materials, whereas Indian banks did not process payments made to the Russian company. The parties discussed the possibility of making payments in rubles and rupees. Diamond mining was carried out according to the plan.

CARGO TRANSPORTATION. In April, cargo traffic at Far Eastern seaports contracted by 6.5% year-on-year. In May, a shipping company reported that cargo volumes from foreign carriers plummeted more than 1.5 times as compared to the previous year, and regular shipments contracted by a third. Due to anti-pandemic measures introduced in China amid the outbreak of the coronavirus infection, cargo transportation from this country declined in April—early May, and some companies reported delays in ship unloading at Chinese seaports and cargo customs clearance at automobile border checkpoints. Cargo transportation from warehouses was delayed for two to three months. A large transportation company reported elevated demand for exports and imports along the Russia–China route and the refocusing of cargo traffic from Western destinations to Far Eastern seaports. According to a logistics company, the number of applications for imports from and exports to China increased.

Some mining enterprises faced problems with cargo shipments due to a high utilisation of railway infrastructure, including at the crossing point on the border with China, with congestions at some sections. A large logging company reported that the sale of its products to the domestic market and China was hindered by a shortage of rail cars.

FISHING AND FISH PROCESSING. By the middle of May, fish output in the Far Eastern basin exceeded last year figures by 5% owing to an increase in herring fishing. In April–May, amid a reduction in rail transportation rates owing to additional subsidies allocated by the government, the supplies of fish products to the domestic market continued to expand. Tightened quarantine measures intensified problems with customs clearance of fish products in Chinese seaports. In April–May, as fishing companies increased supply, wholesale prices for pollock and herring continued to decline, but still exceeded the level of the previous year by a fourth.

A large enterprise faced a foreign company's refusal to directly supply components for ship repairs. Necessary equipment was supplied through South Korean partners, but the repair periods extended. One of the companies suspended its fish breeding project due to the refusal of its foreign counterparty to supply equipment and a considerable rise in expenses for the project. Nonetheless, companies continued to implement the projects that are close to completion, namely commissioned a new cooler at one of the seaports and finished the construction of crabbers.

BOX 1.

THE IMPACT OF STRUCTURAL CHANGES IN THE ECONOMY ON THE LABOUR MARKET

The structural transformation of the Russian economy that started in the conditions of the enacted external restrictions has already caused changes in the labour market. In March–April, the demand for highly qualified employees in finance and trade declined, whereas the demand for low-skilled workers in the industrial sector and construction trended upwards. Due to higher uncertainty about employment prospects, employed people more actively analysed vacant jobs and posted their CVs. In response to the new conditions, most companies introduced part-time employment schemes and reduced bonus payments. These decisions, along with the employment support measures implemented by federal and regional authorities, helped avoid a rise in unemployment.

Because of disruptions in technological, production and logistics chains and the exit of a number of foreign employers from the market as a result of the imposed sanctions, **the demand for labour in Russia declined in March–April 2022**. In particular, employers' need for workers decreased in the majority of Russian regions (Chart 1), whereas the number of CVs surged relative to the number of vacant jobs (Chart 2). This trend was observed in most industries, especially in the financial sector, in the area of motor vehicle trade and maintenance, and procurements. Contrastingly, the demand for workers in construction, production, and manufacture increased.

Enterprises experiencing adverse consequences of the structural changes in the economy strived to preserve jobs, introducing various schemes of part-time employment (idle periods, a reduction in working hours, forced leaves), partial labour remuneration, and bringing forward summer holidays.

The measures implemented by both federal and regional authorities also helped support employment, specifically subsidies for employing young people, creating new jobs, compensations of remuneration for idle hours, professional training and retraining of the unemployed. As a result, the unemployment rate observed by Rosstat remained almost the same in February–March. The number of officially registered unemployed persons even edged down slightly, namely from 705,000 in January to 665,000 in March 2022. According to recent assessments, unemployment in April remained unchanged.

THE SITUATION IN THE LABOUR MARKET

The new economic environment initiated structural transformation in the Russian labour market. The resulting changes are uneven across both industries and regions.

Due to the suspension of the operation of some foreign manufacturers of high technology products in Russia, **highly qualified employees were laid off**, primarily in banking and investment, motor vehicle trade and maintenance, machine building, and electronics. Most employees of the Russian division of the world's largest IT company have already left Russia and continue to work in other international offices of the company. Nevertheless, there was no large-scale outflow of specialists from this industry in Russian regions. Namely, IT specialists in a number of constituent territories who lost jobs or orders from foreign companies immediately found new jobs as the demand for

their services was high.

Since a range of products cannot be imported now, the demand for domestic alternatives trended upwards, which boosted employment at enterprises manufacturing such products. In view of this, most regions recorded higher demand for highly qualified specialists in IT, machine building, aircraft engineering, agriculture, healthcare, and pharmaceuticals. However, in general, the demand for highly qualified specialists mostly trended downwards.

Concurrently, the majority of constituent territories still experienced **a deficit of low-skilled workers**, including in industries with a large share of labour migrants (construction, manufacturing, and agriculture).

A decrease in the number of new vacant jobs combined with a rise in the number of CVs somewhat intensified competition among job seekers and, consequently, tension in the labour market. According to HeadHunter, labour supply and demand mismatches were most evident in trade, marketing, advertising, PR, and administration.

ADAPTATION TO NEW CONDITIONS

Although economic conditions altered dramatically, employers who experienced adverse consequences from disruptions in production and logistics chains did their best to preserve jobs and optimise their labour costs.

For the most part, enterprises introduced various **part-time employment** schemes. Specifically, foreign-controlled companies that suspended their operation in Russia and enterprises with a high share of imports in their production structure were mostly forced to **introduce idle periods for their employees** (with remuneration of at least 2/3 of an employee's average wage). This was typical of public catering, retail, air transportation, manufacture and trade of motor vehicles, auto components, and electrical goods. In particular, large foreign auto manufacturers that suspended vehicle assembly at their plants in Central Russia, the North-Western macro-region, and the Volga Region introduced idle periods for the majority of their workers. The reduction in the output of motor vehicles entailed similar staff decisions among auto dealers, although a part of them continued to use a four-day working week with an equivalent decrease in wages (the Krasnodar Territory). Due to restrictions on the operation of Russian air carriers abroad and the cancellation of air flights to the Southern regions, some airlines and airports of the North-Western, Central, Ural, and Southern macro-regions also introduced idle periods for a part of their employees. Certain regions introduced idle periods for employees with their prompt callback in the case of new orders.

Some large companies chose other ways to cut their staff costs. Auto manufacturers, airlines, public catering and trade enterprises **put the staff on forced leaves or furloughed employees**. For instance, a large enterprise in the Samara Region brought forward corporate holidays from the summer months to April, with a further switch to a four-day working week, and to maintain employees' incomes, it planned temporary and social works with remuneration for the fifth day payable from the federal budget.

Concurrently, a part of companies that previously planned part-time employment schemes or job cuts are now cancelling these decisions. In particular, an automobile plant in the Volga Region postponed the introduction of a four-day working week, and a pharmaceutical company in the Stavropol Territory reduced the range of employees' job functions and wages instead of staff cuts.

In the conditions of faster inflation in the economy in general, **real wages declined**. Nonetheless,

changes in labour remuneration varied across industries. For instance, to preserve the main production workforce, a number of companies in the industrial sector, trade, and information technologies indexed the wages by 4–20%. Contrastingly, due to difficulties with wage payments, a furniture factory in the Volga Region dismissed 10% of its personnel, and a consumer goods manufacturer in the Bryansk Region decreased wages to its administrative staff by 5–7% in April.

To **maintain employment**, the Russian Government and regional authorities are implementing the following measures:

- financing of professional training for those employees who might be dismissed, creation of temporary jobs, social works for the unemployed, and wages when new employees are hired;
- communication between regional job centres and potentially unemployed people before their actual dismissal; and
- conclusion of targeted agreements between universities and interested employers.

Additionally, regional measures were also taken to support the labour market. Specifically, the Moscow Region launched a project of educational and production centres to train specialists in professions that are highly demanded in the industrial sector. Due to the forced shutdown, fishing enterprises operating in the Sea of Azov received allocations to compensate for operating expenses provided that they preserve 90% of the jobs. Companies in the Amur, Smolensk, and Tver Regions were granted financing to cover expenses for specialists' training and university graduates' practical training.

Large and medium-sized enterprises started to **more frequently engage self-employed persons** for cost efficiency reasons, including in pilot projects, development, trainings, and education, as well as order small-batch components and raw materials for their production facilities. A number of large corporates organised in-house professional training and retraining of unemployed persons with their further employment.

EMERGING CHANGES IN THE STRUCTURE OF EMPLOYMENT

Considering the processes that emerged in the labour market in March–May, it is possible to outline several areas of future changes.

The labour market **does not expect a considerable rise in unemployment** in the next few months, as companies will continue to avoid staff cuts, introducing instead part-time employment schemes. Furthermore, as real wages declined, companies will be able to reduce labour costs in the structure of their expenses. Specifically, according to the Bank of Russia's surveys, most employers do not plan to decrease wages, but many of them will not index them. Thus, as during many other past crises, enterprises will adjust to the new conditions not by cutting staff, but rather by reducing wages (in real terms or, more rarely, in nominal terms) and introducing part-time employment schemes.

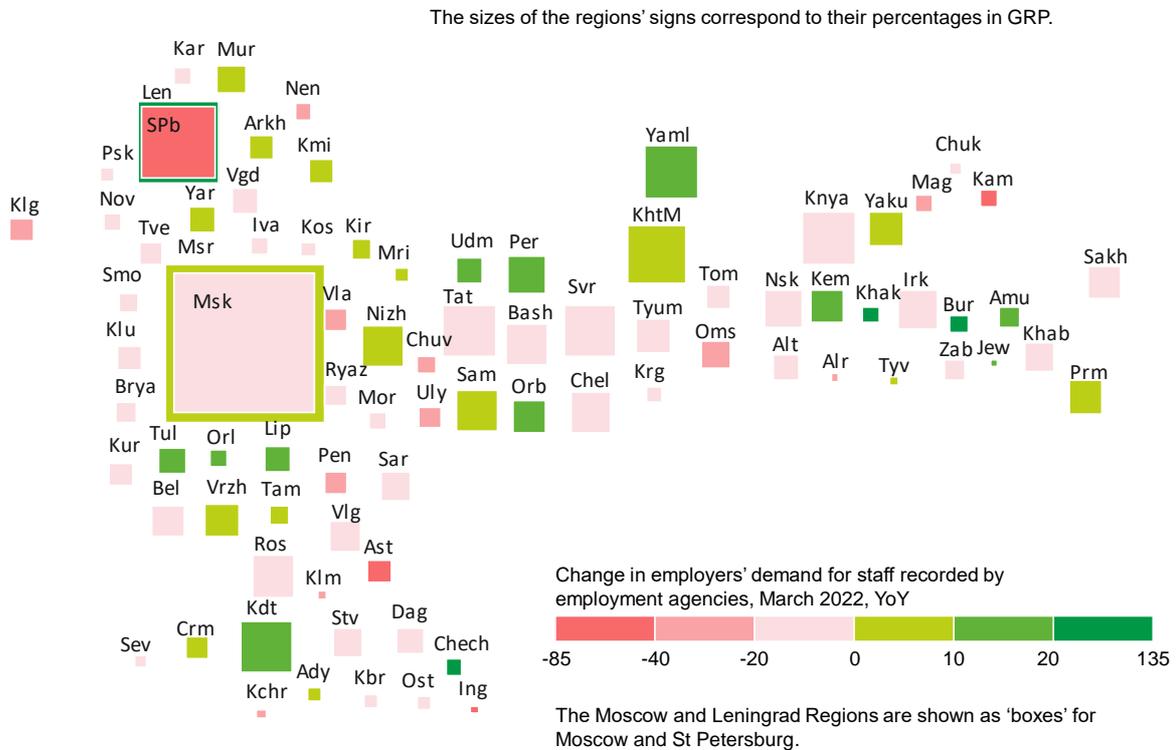
The redistribution of employed people and the demand for labour will happen in two ways. Firstly, this redistribution will be within particular industries where **international companies who exited the Russian market will be replaced by domestic enterprises** (retail, public catering, transportation and storage, and IT). For instance, such changes have already been reported by regional fast food chains (in the Arkhangelsk and Sverdlovsk Regions), transportation enterprises (in the Bryansk and Belgorod Regions), and IT companies (in the Moscow, Ryazan and Sverdlovsk Regions).

Secondly, **jobs will be redistributed across various industries**. The main trend expected in

this area is a decline in employment and the demand for labour in industries requiring advanced knowledge and skills or not related to manual labour (finance, wholesale trade and procurements, consumer services) and an increase in the demand or steadily elevated demand for low-skilled workers in manufacturing, agriculture, and construction. Concurrently, certain industries that will substitute the earlier imported products, technologies, and services will need more highly qualified specialists. These sectors include IT (which has already been reported by companies in the Krasnodar and Khabarovsk Territories and the Sverdlovsk Region), some advanced segments in machine building (the Chelyabinsk Region), pharmaceuticals (the Moscow Region) and chemicals (the Sakhalin Region), the aircraft industry (Tatarstan and the Ulyanovsk Region), and wood processing (the Krasnoyarsk Territory).

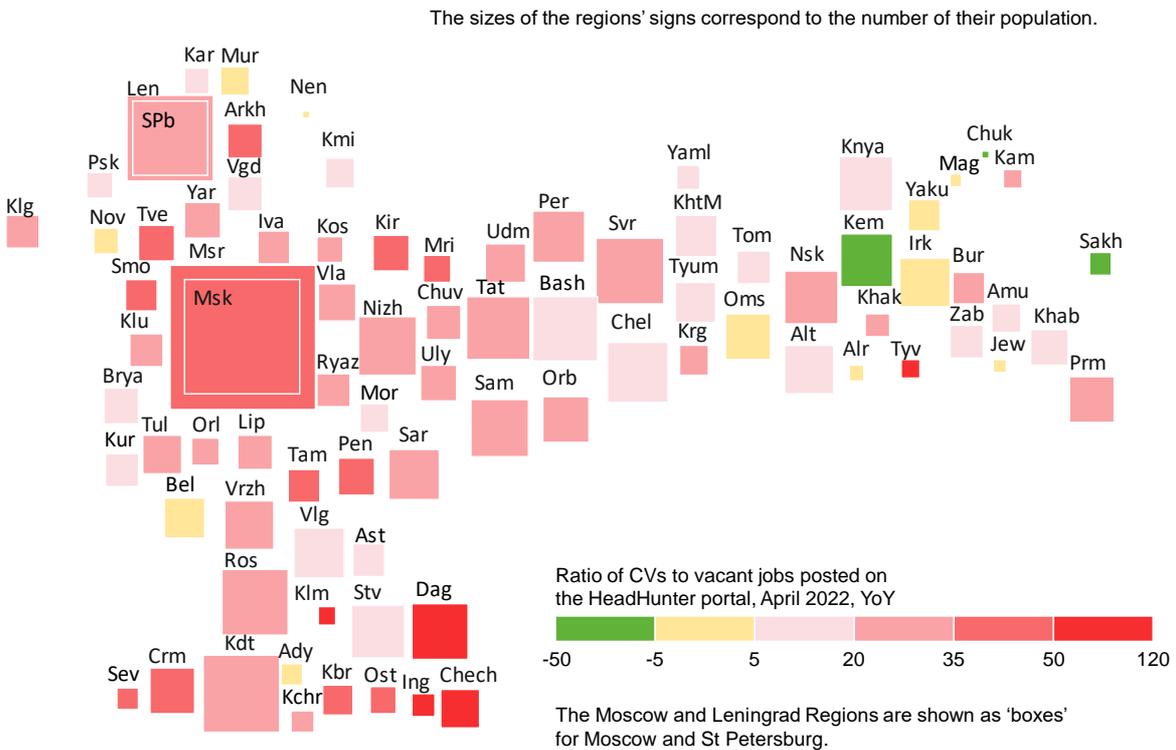
Overall, regions' data show emerging changes in the structure of employment and redistribution of labour resources across industries and professions. This is associated with steadily high demand for low-skilled workers and dismissals of highly qualified specialists amid lower demand for them in certain industries coupled with a rise in the demand for specialists in other sectors (mostly focused on import substitution).

Chart 1. Change in employers' demand for staff recorded by employment agencies, March 2022, YoY



Source: Rosstat.

Chart 2. Ratio of CVs to vacant jobs posted on the HeadHunter portal, April 2022, YoY



Sources: HeadHunter, Bank of Russia calculations.

BOX 2.

THE HOUSING MARKET AND CURRENT TRENDS IN HOUSING CONSTRUCTION

Since the end of February 2022, the housing market has been experiencing dramatic changes in the internal and external environment resulting from the tighter sanctions enacted against Russia. Amid geopolitical and economic uncertainty, households' demand for housing as a protective asset soared. In April, this demand diminished for the most part. Rising prices for construction materials and imported equipment pushed up construction costs. Migrants from the CIS left the labour market in some regions, which entailed temporary shortages of low-skilled workers in construction.

Due to the rise in the sanction pressure on Russia in late February–March 2022, there was a considerable increase in expectations about future inflation and interest rates in the economy. As a result, the demand for housing soared, largely driven by the saving motive. Moreover, the government subsidised mortgage lending programmes remained a key factor of surging demand for new housing. Changes in the subsidised interest rates influenced the subsequent trends in demand: it declined in April, following the increase in the interest rate under the main subsidised new housing mortgage lending programme to 12% per annum, and then started to edge up again in May when the interest rate was reduced to 9%. Another important factor supporting the demand for new housing was developers' in-house programmes, discounts, and promotional campaigns. Many developers launched their own subsidised mortgage lending programmes jointly with banks, with their interest rates lower than those offered under the government support programmes.

Supply of new apartment buildings across Russia has been expanding in annualised terms since early 2022. However, in March 2022, the number of new commissioned buildings declined in both monthly and annualised terms. In April 2022, the number of commissioned projects was nearly two times lower than in the previous year. The growth rate of real estate under construction is significantly lower than that of commissioned projects. Over January–April 2022, Russia commissioned a record-high number of residential buildings, which was mostly associated with the rescheduling from November–December 2021 to the beginning of 2022. The decrease in the number of new projects in housing construction relative to the number of construction objects might cause a decline in the commissioning of housing in the next two years. To support developers, federal and regional authorities approved a comprehensive package of measures in spring 2022 to simplify the regulation in construction and provide financial aid to the industry.

The transition to project financing in housing construction by banks that started in 2019, within which funding under effective loan agreements never stopped, helped maintain the current volumes of housing construction and prevent a suspension of construction works in the country. The programme for subsidised lending to developers made it possible to finance the construction of new projects despite a considerable rise in market interest rates.

DEMAND

Over the last week of February–the first half of March 2022, all macro-regions in Russia reported a surge in the demand for housing from both buyers who decided to draw down mortgages at earlier approved market rates and the effective low rates under the subsidised mortgage lending programmes (2% under the Far Eastern Mortgage, up to 6% – under the Family Mortgage, and up to 7% – under the main government subsidised new housing mortgage lending programme) and those who decided to purchase housing as a protective asset. According to developers in the Krasnodar Territory and the Rostov Region, the proportion of mortgages in the structure of apartment sales reached the maximum level in March – approximately 80%. Contrastingly, in Moscow, Saint Petersburg, and other regions where people’s incomes are higher, developers recorded a temporary increase in the share of fully paid transactions owing to the buyers’ own funds. Amid elevated demand, developers’ sales hit record highs in March and 2022 Q1 in general, whereas supply of new apartments in many regions contracted (e.g., by 12.5% in the Volga-Vyatka macro-region over February–March, according to recent data). **Beginning from the second half of March**, demand in certain regions started to edge down due to higher market interest rates on mortgage loans.

In April 2022, most regions reported a decline in the demand for housing and mortgage loans because of higher mortgage rates, a decrease in real disposable incomes, and a faster rise in real estate prices. Specifically, according to the Federal Service for State Registration, Cadastre and Cartography (Rosreestr), the number of mortgage agreements registered in Moscow in April was 35% lower than in March, and the demand for housing in the secondary market plummeted: the number of registered transfers of ownership under agreements for housing sales and purchase (mutual exchange) dropped by 37.5% as compared to March 2022. As shown by recent statistics, the number of equity construction contracts registered in Yekaterinburg in April was 44% lower than in March. As reported by one of the credit history bureaus, Russian banks approved 37,200 mortgage loans for borrowers in April 2022 amounting to 130.5 billion rubles, which is 75% less than in March (529.3 billion rubles). Developers in a number of regions in Volga-Vyatka and the South reported that new housing sales more than halved in April, as compared to March. Banks in the majority of Russian regions noted a considerable decrease in the number of mortgage loan applications.

In May 2022, the demand for real estate (and mortgage loans) resumed an upward trend in most regions, as shown by recent data, but still did not reach the level of early 2022. Specifically, developers in the Far East estimated that the number of transactions plummeted two times by mid-May, as compared to February, and three times – in the secondary market.

The changes in the maximum loan amount in April and May impacted the demand for subsidised new housing mortgage loans differently. The increase in the maximum loan amount⁴ in April had a minor influence on demand in most regions as the previously effective maximum (up to 3 million rubles) was sufficient to purchase the most demanded one- and two-room apartments there. Contrastingly, in Moscow and Saint Petersburg, the amount of up to 12 million rubles is currently sufficient only to purchase small flats in remote areas. Market participants believe that the permit to combine government subsidised and market-based mortgage loans (or other subsidised mortgage loans) effective from May will additionally support the demand for housing. The overall maximum mortgage loan amount under the new conditions increased to 30 million rubles for Moscow and Saint Petersburg and to 15 million rubles – for other regions. The largest banks have already

⁴ Up to 12 million rubles for Moscow and Saint Petersburg and up to 6 million rubles – for other regions.

started to offer combined products.

In Far Eastern regions, the most advantageous of the subsidised mortgage lending programmes, namely the Far Eastern Mortgage (at an interest rate of no more than 2%), was the main driver of demand. In the first half of March 2022, some banks issued mortgage loans under this programme at an interest rate as low as 0.1%. As a result, the growth rates in mortgage lending in the Republic of Sakha (Yakutia), the Amur Region, and the Primorye and Khabarovsk Territories considerably exceeded the Russian average.

SUPPLY

Over January–April 2022, Russia commissioned a record-high number of residential buildings. Moreover, year-on-year growth was recorded in all federal districts (+29–85% YoY; Chart 1), which was mostly associated with the rescheduling of commissioning from November–December 2021 to the beginning of 2022.

The area of apartment buildings under construction has been increasing since early 2022 (Chart 2). However, the situation across regions is uneven: the annual growth rates of apartment housing under construction remains positive only in the Urals and Far Eastern Federal Districts, whereas all other FDs launch new projects more slowly as compared to the high rate of housing commissioning, which might cause a decline in commissioning volumes in the next two years. Overall, in March 2022, the number of new commissioned buildings declined in both monthly and annualised terms. **In April 2022, the number of commissioned projects was nearly two times lower than in the previous year.**

In addition to federal measures implemented to aid housing construction, regional authorities also provided support, including lower administrative barriers, a decrease in rent for land plots or rent deferrals, regional mortgage programmes, local regulation of prices for construction materials, etc. The Moscow Government approved the largest number of measures to support the construction industry.

Growth prospects in housing construction in a number of regions are associated with their plans to shift towards integrated development of individual housing construction (IHC).

Currently, only a limited number of regions carry out IHC within pilot projects which can be then rolled out countrywide. The Moscow Region is developing the concept of IHC clusters enabling the creation of full-fledged infrastructure in individual construction areas. The Dmitrovsky Area is implementing a pilot project on a land plot of approximately 800 hectares. The cluster will include 12,000 houses focused on mass buyers that will be commissioned on a turnkey basis. The Khabarovsk Territory launched the pilot project 'Far Eastern Resident's Home' (Dom Dalnevostochnika) to build individual houses on compactly located land plots (of 500, 1,000 and 1,500 m²) in a developed territory according to one of six standard projects of different areas (from 74 to 124 m²) and one of the standard structural solutions, the choice of which will determine the estimated value of a house.

In March 2022, the law on equity housing construction was extended to IHC, which will also encourage the development of IHC. According to market participants in various regions, there are some urgent issues in IHC development, including an insufficient number of building companies to ensure large-scale construction of individual houses, low infrastructure coverage, difficulties with standardisation of project finance in IHC, and a surge in prices for construction materials.

The slowdown in the growth of housing construction in March caused a deficit of supply only

in a number of regions. In April, the number of new apartments offered for sale rebounded to the earlier levels of January–February 2022 as a result of lower demand and the commissioning of new projects by developers. Furthermore, sellers who had withdrawn their offers when market uncertainty peaked returned to the secondary market in April, which increased supply of existing housing.

PRICES

According to Rosstat, in 2022 Q1, the annual growth of prices for new and existing housing sped up as compared to the previous quarter in all federal districts, except the Central FD (Chart 3). The Southern FD remained the leader in terms of growth rates: elevated demand for housing there is associated with congenial climate, internal migration, and resort cities located there (Sochi, Anapa, Yalta, etc.). The price growth rate was the lowest in the Far Eastern FD owing to the highest pace of construction which ensured the increase in supply of new apartments. The annual rise in prices for existing housing sped up in all federal districts (Chart 4). The growth rate of prices in the secondary market was the highest in the Volga FD: in a number of regions there, prices in the secondary market remain much lower than prices for new housing. The growth rate of prices for existing housing was the lowest in the Far Eastern FD as well, as it ensured the most advantageous conditions for buying new housing.

According to recent statistics, **most federal districts recorded a slowdown in the annual growth of prices for both new and existing housing in April**. However, some regions in the federal districts observed other price trends. In particular, amid the increase in mortgage rates in April, the demand for housing in the Saint Petersburg agglomeration declined and prices in the primary market stopped rising. Developers in the Novgorod Region continued to raise prices for apartments due to higher costs for construction materials, even though the demand for housing declined and mortgage rates edged up.

PROJECT FINANCE IN HOUSING CONSTRUCTION

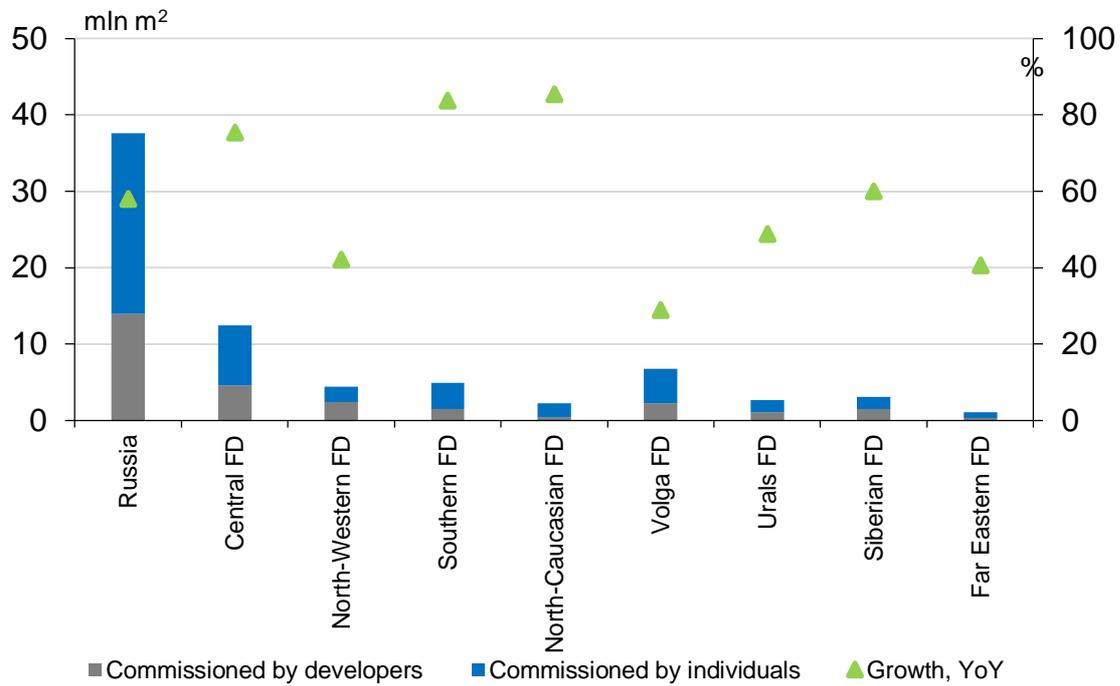
The growth of project finance amounts edged down in March 2022 as compared to February, both countrywide and in seven federal districts (except the North-Caucasian FD). The slowdown in the development of project finance was caused by market uncertainty, the revision of developers' plans and business models, the increase in market interest rates on project finance loans by banks, and a tightening of other lending conditions. In a number of regions, banks raised their requirements for documents on project finance, financial parameters of projects, and developers' equity share in some projects. Moreover, periods for consideration of applications increased.

Since April, all regions offer subsidised lending to housing developers at an interest rate of no more than 15%. According to the surveys, developers in a number of regions are satisfied with the established subsidised interest rate and are ready to raise loans under this programme. As to the regions where housing construction is low-margin, developers are not happy with this level of the subsidised interest rate. Developers in Siberia (the Kemerovo Region, the Altai Territory) show low demand for loans at 15% as interest rates that could be optimal for them should be lower. Construction companies in the Astrakhan Region consider it unreasonable to raise loans as they are concerned about the slump in the demand for housing.

Overall, in April–May 2022, the housing construction market in most regions started to adjust

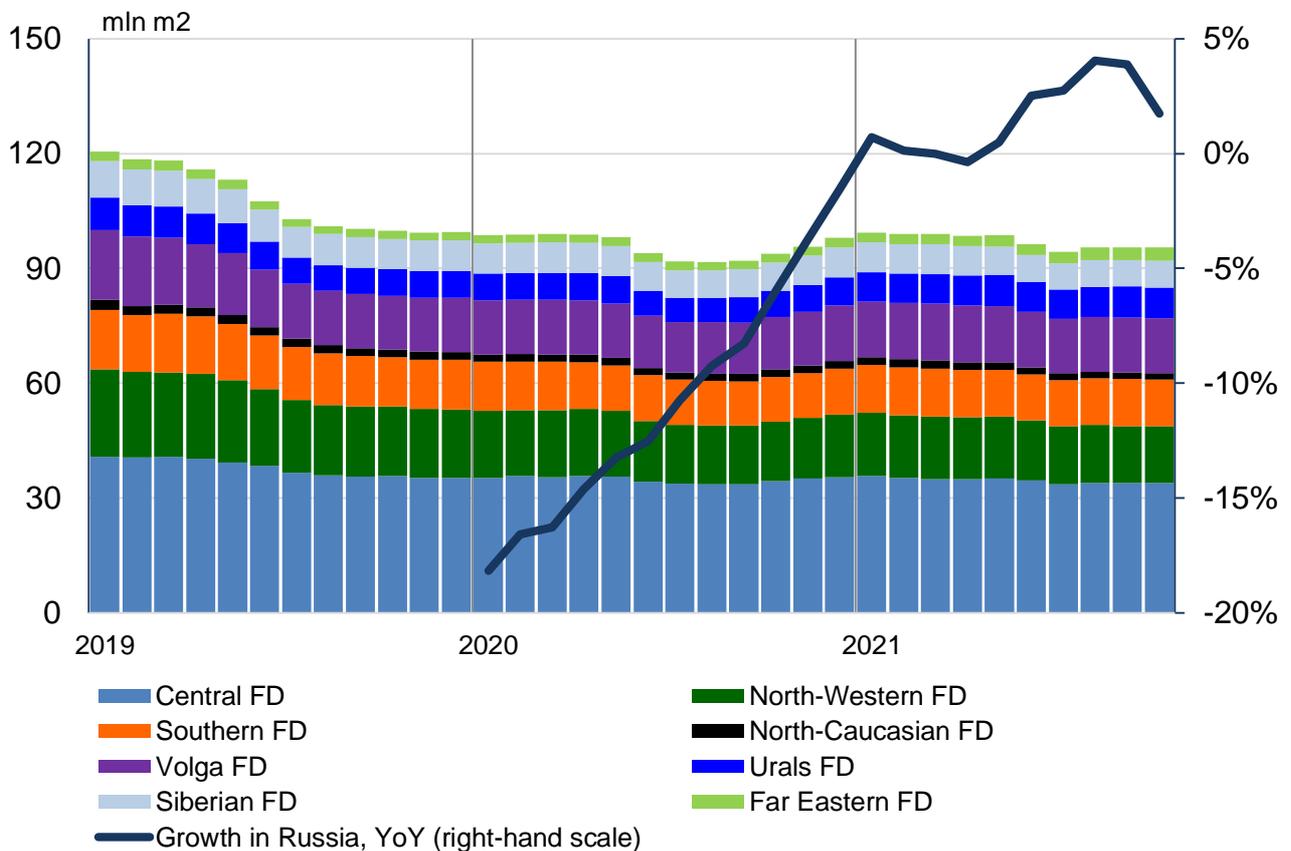
to the new conditions owing to the federal and regional support measures, prompt communication between regional authorities and market participants, as well as the flexibility of anti-crisis measures implemented by developers on their own. Since May, following the decrease in market rates and the interest rate under the subsidised new housing mortgage lending programme to 9%, the demand for housing started to bounce back gradually in the majority of regions. However, home-buying activity is still limited due to the decline in real disposable incomes, overall uncertainty, and expectations of a further reduction in interest rates. Experts forecast that the growth of the housing market will slow down and lending amounts will decline (in annualised terms) by the end of the year. Amid lower demand for housing and the currently high market rates on mortgage loans, housing market participants expect the growth of prices for both existing and new housing to slow down, despite rising costs for housing construction.

Chart 1. Housing commissioning in January–April 2022



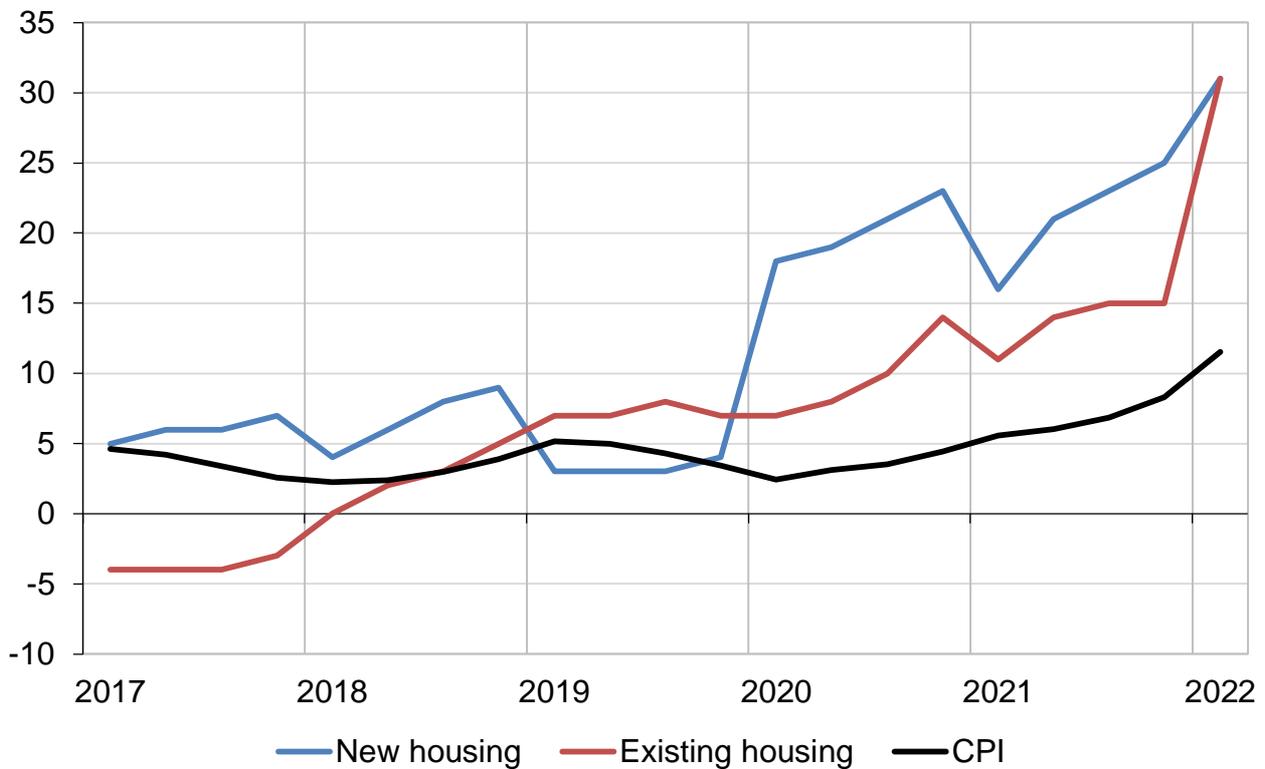
Source: Rosstat.

Chart 2. Area of apartment buildings under construction



Source: DOM.RF.

Chart 3. Prices for new and existing housing (all types of apartments, % YoY)



Source: Rosstat.

Chart 4. Growth of average prices for new and existing housing in 2022 Q1, % on 2019 Q1



Source: Bank of Russia.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.9	8.4	5.8	6.5	7.4	8.4	16.7	16.7	17.8	
Core inflation	% YoY	4.2	8.9	5.4	6.6	7.6	8.9	18.7	18.7	20.4	
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	-2.1	5.3	1.7	2.7	1.4	6.2	5.8	5.8		
Fixed capital investment	Cumulative, % YoY	-0.5	7.7	7.6	6.6	4.9	7.2				
Construction	3MMA, % YoY	0.7	6.0	5.6	5.9	4.7	9.6	4.4	4.4		
Housing commissioning	3MMA, % YoY	0.2	12.7	20.2	22.3	39.7	2.1	64.6	64.6	50.8	
Retail	3MMA, % YoY	-3.2	7.8	4.1	5.5	5.1	2.9	3.7	3.7		
Commercial services	3MMA, % YoY	-14.6	14.0	-5.5	-3.0	-1.7	-0.4	10.6	10.6		
Real wages	3MMA, % YoY	3.8	2.9	7.4	5.2	3.7	4.8				
Real disposable income	% YoY	-1.4	3.4	-0.8	1.0	4.7	1.3				
Unemployment rate	SA, %	5.8	4.8	5.6	4.9	4.5	4.2	4.2	4.2		
Outstanding consumer loans	% YoY	7.0	19.5	7.4	15.7	18.1	19.5	15.6	15.6	12.0	
Outstanding mortgage loans	% YoY	21.6	26.7	23.2	29.0	26.7	26.7	27.2	27.2	23.5	
Funds in escrow accounts	% YoY	–	158	525	452	288	158	130	130	110	
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	7.2	10.4	11.8	14.6	17.6	17.6		
• Large borrowers	% YoY	7.4	12.3	4.4	6.7	9.9	12.3	15.1	15.1		
• SMEs	% YoY	21.9	27.5	24.6	32.1	22.7	27.5	30.4	30.4		
Companies' price expectations	Balance of responses, SA	16.5	24.3	19.6	26.5	25.5	25.6	32.5	47.1	39.2	28.3
Business Climate Index	pp YoY	-7.8	9.7	11.1	16.9	3.7	6.3	-9.1	-15.0	-12.9	
• Current estimates	pp YoY	-8.4	10.5	8.3	24.8	3.9	6.5	-5.5	-12.4	-15.1	
• Expectations	pp YoY	-7.0	8.8	14.0	7.9	3.5	6.2	-13.0	-17.8	-10.4	

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.7%	8.3	5.7	6.4	7.4	8.3	16.6	16.6	18.0	
Core inflation	% YoY	4.2	9.0	5.5	6.6	7.9	9.0	18.9	18.9	20.8	
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	10.2	22.8	32.9	27.5	26.7	52.8	14.0	14.0		
Fixed capital investment	Cumulative, % YoY	1.2	13.4	20.1	17.7	13.4	14.8				
Construction	3MMA, % YoY	6.7	4.4	16.3	7.5	7.4	16.0	3.1	3.1		
Housing commissioning	3MMA, % YoY	-0.8	14.3	2.6	18.0	25.7	3.0	82.6	82.6	73.5	
Retail	3MMA, % YoY	-2.1	8.5	6.1	8.1	7.5	4.5	3.1	3.1		
Commercial services	3MMA, % YoY	-17.7	20.3	-10.7	-0.4	3.4	1.8	21.0	21.0		
Real wages	3MMA, % YoY	4.2	3.8	10.4	5.7	5.9	7.4				
Real disposable income	% YoY	-1.3	5.6	0.5	0.4	7.4	7.2				
Unemployment rate	SA, %	3.9	3.5	4.0	3.6	3.2	3.1	3.0	3.0		
Outstanding consumer loans	% YoY	5.2	20.0	5.7	14.2	18.0	20.0	16.7	16.7	13.5	
Outstanding mortgage loans	% YoY	24.4	29.1	25.4	32.5	29.7	29.1	28.5	28.5	24.6	
Funds in escrow accounts	% YoY	–	171	499	468	306	171	137	137	115	
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	8.4	10.0	10.5	13.1	14.8	14.8		
• Large borrowers	% YoY	10.6	10.0	7.0	6.9	8.1	10.0	11.3	11.3		
• SMEs	% YoY	15.2	36.6	20.2	33.6	29.9	36.6	39.4	39.4		
Companies' price expectations	Balance of responses, SA	18.8	29.6	23.4	34.8	30.7	29.6	37.3	55.8	45.2	34.3
Business Climate Index	pp YoY	-7.2	9.7	11.2	18.8	2.6	6.1	-9.8	-16.8	-16.4	
• Current estimates	pp YoY	-7.3	10.7	7.5	25.9	2.3	7.3	-5.4	-13.5	-19.1	
• Expectations	pp YoY	-7.1	8.4	15.2	10.7	3.0	4.9	-14.6	-20.2	-13.4	

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

Core indicators. North-Western Main Branch

Table 3

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.8	8.5	5.4	6.6	7.3	8.5	17.1	17.1	17.7	
Core inflation	% YoY	4.0	8.9	5.2	6.7	7.3	8.9	19.3	19.3	20.4	
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	-2.6	4.6	2.0	-1.4	-0.3	6.1	5.7	5.7		
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	-6.9	-4.6	-2.1	-1.6				
Construction	3MMA, % YoY	-7.3	0.3	-8.9	-7.0	-11.3	-1.4	-4.6	-4.6		
Housing commissioning	3MMA, % YoY	-2.9	13.3	38.7	25.3	109	-41.2	43.3	43.3	45.1	
Retail	3MMA, % YoY	0.2	11.7	9.6	12.7	14.1	11.7	5.8	5.8		
Commercial services	3MMA, % YoY	-15.4	14.2	-4.5	-3.8	-4.6	-0.4	3.9	3.9		
Real wages	3MMA, % YoY	2.1	3.0	4.8	5.0	2.8	2.6				
Real disposable income	% YoY	0.3	3.8	0.4	4.9	5.1	4.7				
Unemployment rate	SA, %	5.0	3.9	4.7	4.0	3.5	3.3	3.1	3.1		
Outstanding consumer loans	% YoY	6.9	18.7	6.9	15.4	17.2	18.7	14.8	14.8	11.1	
Outstanding mortgage loans	% YoY	22.0	26.5	23.1	28.8	26.1	26.5	26.9	26.9	23.3	
Funds in escrow accounts	% YoY	–	255	673	585	438	255	202	202	170	
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.2	9.1	14.2	21.5	28.2	39.2	39.2		
• Large borrowers	% YoY	1.9	32.5	0.0	3.0	24.1	32.5	46.6	46.6		
• SMEs	% YoY	52.1	11.0	60.6	70.9	9.9	11.0	13.2	13.2		
Companies' price expectations	Balance of responses, SA	17.1	23.6	19.7	26.1	24.5	24.0	30.6	42.6	36.6	27.2
Business Climate Index	pp YoY	-7.6	10.3	11.0	16.1	5.9	8.2	-10.1	-17.7	-16.3	
• Current estimates	pp YoY	-8.0	12.0	9.7	23.5	6.4	8.3	-6.3	-15.3	-19.1	
• Expectations	pp YoY	-7.1	8.4	12.3	7.9	5.3	8.2	-14.1	-20.3	-13.3	

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	5.5	8.6	6.2	6.7	7.6	8.6	17.1	17.1	18.3	
Core inflation	% YoY	4.7%	9.4	5.9	7.1	8.1	9.4	19.7	19.7	21.3	
<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	-2.0	7.8	3.1	5.5	3.1	8.3	8.4	8.4		
Fixed capital investment	Cumulative, % YoY	-3.0	2.1	10.2	5.2	2.4	2.1				
Construction	3MMA, % YoY	-2.0	14.1	5.6	16.2	12.1	9.9	19.3	19.3		
Housing commissioning	3MMA, % YoY	-5.9	8.5	25.7	-3.3	17.4	-17.1	18.2	18.2	13.2	
Retail	3MMA, % YoY	-4.4	6.0	0.5	3.5	2.8	0.5	3.6	3.6		
Commercial services	3MMA, % YoY	-10.6	9.8	-0.9	-3.2	-3.5	-0.1	6.4	6.4		
Real wages	3MMA, % YoY	3.3	3.2	5.6	4.7	3.8	4.4				
Real disposable income	% YoY	-2.2	1.9	-3.8	-0.4	2.4	-1.1				
Unemployment rate	SA, %	4.9	4.0	4.5	4.0	3.7	3.5	3.3	3.3		
Outstanding consumer loans	% YoY	7.1	19.2	7.3	16.2	17.9	19.2	14.6	14.6	10.6	
Outstanding mortgage loans	% YoY	19.7	23.0	21.4	26.2	24.1	23.0	24.2	24.2	20.8	
Funds in escrow accounts	% YoY	–	105	435	326	182	105	99	99	85	
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	2.0	6.6	13.4	11.8	12.0	12.0		
• Large borrowers	% YoY	-2.5	9.0	-3.6	2.1	12.9	9.0	8.0	8.0		
• SMEs	% YoY	24.3	19.9	22.4	21.5	15.1	19.9	23.5	23.5		
Companies' price expectations	Balance of responses, SA	18.6	29.1	22.9	32.8	31.0	29.5	36.4	53.2	45.6	38.5
Business Climate Index	pp YoY	-9.7	10.0	11.4	19.3	3.1	6.2	-10.0	-15.5	-15.6	
• Current estimates	pp YoY	-10.1	11.5	8.6	27.2	4.3	6.0	-8.5	-14.4	-17.9	
• Expectations	pp YoY	-8.9	8.2	14.2	10.3	1.8	6.5	-11.6	-16.7	-13.1	

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

Core indicators. Southern Main Branch

Table 5

		2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	Mar	Apr	May
Inflation	% YoY	5.5	9.2	6.6	7.3	8.6	9.2	16.6	16.6	18.1	
Core inflation	% YoY	4.2	9.1	5.6	6.7	7.8	9.1	17.1	17.1	19.4	
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	-0.3	4.4	6.0	4.0	5.3	1.8	5.3	5.3		
Fixed capital investment	Cumulative, % YoY	0.4	-0.5	20.3	5.3	1.3	-0.1				
Construction	3MMA, % YoY	-3.4	10.1	7.1	-4.1	5.8	12.3	-16.4	-16.4		
Housing commissioning	3MMA, % YoY	5.9	13.7	10.4	20.5	42.1	3.8	94.2	94.2	69.2	
Retail	3MMA, % YoY	-3.3	9.5	6.4	6.2	6.7	6.8	6.8	6.8		
Commercial services	3MMA, % YoY	-8.4	16.8	6.8	6.4	7.5	7.4	6.5	6.5		
Real wages	3MMA, % YoY	1.9	0.6	5.2	4.0	0.0	0.9				
Real disposable income	% YoY	-1.3	2.3	1.8	-2.8	5.2	-1.1				
Unemployment rate	SA, %	8.7	7.9	8.9	8.0	7.3	7.2	7.1	7.1		
Outstanding consumer loans	% YoY	7.5	21.1	7.2	15.6	18.6	21.1	17.4	17.4	13.9	
Outstanding mortgage loans	% YoY	23.7	30.7	26.5	32.0	31.0	30.7	31.5	31.5	27.8	
Funds in escrow accounts	% YoY	–	120	660	458	262	120	90.7	90.7	72.3	
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	3.5	10.7	7.0	13.7	16.8	16.8		
• Large borrowers	% YoY	0.3	8.4	0.0	9.5	1.8	8.4	10.7	10.7		
• SMEs	% YoY	13.9	28.5	14.0	14.2	22.5	28.5	33.2	33.2		
Companies' price expectations	Balance of responses, SA	15.0	20.2	16.3	20.9	21.4	22.1	28.4	43.7	32.0	21.3
Business Climate Index	pp YoY	-7.2	8.8	12.5	16.7	1.6	4.3	-9.4	-14.8	-11.4	
• Current estimates	pp YoY	-8.7	11.0	9.4	28.0	1.4	5.2	-5.0	-10.4	-13.5	
• Expectations	pp YoY	-5.3	6.1	15.8	3.4	1.8	3.5	-14.1	-19.6	-9.1	

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

Core indicators. Ural Main Branch

Table 6

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.4	7.7	5.2	6.1	6.7	7.7	16.1	16.1	17.1	
Core inflation	% YoY	4.0	8.2	5.0	6.3	7.1	8.2	18.3	18.3	19.5	
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	-2.4	6.6	1.1	4.0	2.3	8.2	5.5	5.5		
Fixed capital investment	Cumulative, % YoY	0.1	-0.3	1.3	1.5	-1.0	-0.2				
Construction	3MMA, % YoY	8.8	3.5	6.0	19.4	16.5	8.5	5.0	5.0		
Housing commissioning	3MMA, % YoY	2.9	12.1	19.9	27.7	32.2	-8.6	64.9	64.9	28.3	
Retail	3MMA, % YoY	-4.1	4.1	0.2	2.8	-0.7	-2.4	3.1	3.1		
Commercial services	3MMA, % YoY	-15.5	11.5	-4.5	-6.3	-8.8	-3.5	8.6	8.6		
Real wages	3MMA, % YoY	3.6	1.7	4.6	4.0	1.7	2.5				
Real disposable income	% YoY	-2.9	0.5	-3.7	-3.0	-2.0	-1.8				
Unemployment rate	SA, %	5.7	4.4	5.3	4.5	3.9	3.8	3.7	3.7		
Outstanding consumer loans	% YoY	7.8	18.1	8.1	16.1	16.8	18.1	13.6	13.6	10.1	
Outstanding mortgage loans	% YoY	17.8	21.1	19.4	24.5	21.1	21.1	22.2	22.2	18.8	
Funds in escrow accounts	% YoY	–	109	520	420	228	109	107	107	89	
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	2.3	10.4	12.6	16.6	22.3	22.3		
• Large borrowers	% YoY	1.1	15.0	-0.6	7.7	11.1	15.0	21.1	21.1		
• SMEs	% YoY	26.0	27.6	26.2	29.7	23.0	27.6	30.2	30.2		
Companies' price expectations	Balance of responses, SA	14.7	22.7	17.3	23.7	27.4	22.5	30.0	37.3	37.0	30.0
Business Climate Index	pp YoY	-9.5	0.8	11.7	17.2	4.5	7.8	-8.8	-15.6	-10.6	
• Current estimates	pp YoY	-8.2	2.6	9.7	24.3	3.9	5.2	-5.5	-14.7	-9.8	
• Expectations	pp YoY	-10.7	-1.1	13.5	9.3	5.1	10.5	-12.4	-16.5	-11.4	

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

Core indicators. Siberian Main Branch

Table 7

		2020	2021	2021	2021	2021	2021	2022	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.9	9.3	5.8	6.8	7.8	9.3	18.4	18.4	19.5	
Core inflation	% YoY	4.4	9.5	5.2	6.6	7.9	9.5	20.7	20.7	22.2	
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	-3.7	2.9	-3.2	-4.2	0.7	2.2	6.1	6.1		
Fixed capital investment	Cumulative, % YoY	0.9	9.6	3.8	8.1	6.1	10.6				
Construction	3MMA, % YoY	-0.5	13.9	4.6	12.6	8.1	24.2	26.9	26.9		
Housing commissioning	3MMA, % YoY	0.3	7.7	11.9	11.6	45.1	0.1	87.5	87.5	46.4	
Retail	3MMA, % YoY	-3.3	7.1	2.5	4.2	4.7	4.0	6.9	6.9		
Commercial services	3MMA, % YoY	-10.5	9.5	-1.1	-2.4	-3.7	-0.2	6.0	6.0		
Real wages	3MMA, % YoY	3.4	2.4	4.8	5.0	3.7	4.6				
Real disposable income	% YoY	-1.0	0.6	-6.2	2.1	1.9	-0.2				
Unemployment rate	SA, %	7.7	5.3	7.0	6.4	5.7	5.3	5.1	5.1		
Outstanding consumer loans	% YoY	9.1	20.5	9.8	18.0	19.9	20.5	16.1	16.1	12.2	
Outstanding mortgage loans	% YoY	18.9	25.8	20.8	26.3	25.1	25.8	26.9	26.9	23.0	
Funds in escrow accounts	% YoY	–	149	617	502	322	149	108	108	93.4	
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-2.1	-3.1	-2.2	5.0	14.5	14.5		
• Large borrowers	% YoY	1.8	1.4	-7.6	-9.3	-6.3	1.4	12.5	12.5		
• SMEs	% YoY	19.5	18.8	23.6	25.7	15.7	18.8	21.6	21.6		
Companies' price expectations	Balance of responses, SA	15.7	24.4	18.3	26.8	26.5	26.2	33.9	48.5	39.3	27.2
Business Climate Index	pp YoY	-7.2	9.5	10.8	15.7	5.1	6.3	-9.4	-14.8	-9.4	
• Current estimates	pp YoY	-8.3	10.4	8.1	22.5	5.6	5.4	-7.1	-14.3	-12.1	
• Expectations	pp YoY	-5.9	8.3	13.5	8.0	4.6	7.3	-11.9	-15.3	-6.4	

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

Core indicators. Far Eastern Main Branch

Table 8

		2020	2021	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	Mar	Apr	May
Inflation	% YoY	5.0	6.7	5.3	5.4	6.1	6.7	13.4	13.4	14.8	
Core inflation	% YoY	3.9	6.7	4.6	4.9	5.7	6.7	15.1	15.1	16.7	
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	-4.5	2.8	-1.2	0.0	-6.0	-1.1	5.0	5.0		
Fixed capital investment	Cumulative, % YoY	-8.6	9.8	-8.4	0.2	-1.4	0.4				
Construction	3MMA, % YoY	-9.4	-4.5	-2.7	-11.1	-19.7	-16.7	0.8	0.8		
Housing commissioning	3MMA, % YoY	3.4	25.4	19.3	39.7	41.0	21.7	24.0	24.0	59.8	
Retail	3MMA, % YoY	-2.6	5.6	8.7	6.1	1.6	-1.4	1.2	1.2		
Commercial services	3MMA, % YoY	-18.2	6.0	-6.7	-15.7	-14.8	-15.0	-2.5	-2.5		
Real wages	3MMA, % YoY	2.9	3.2	6.3	4.3	1.0	4.2				
Real disposable income	% YoY	-1.6	1.3	-1.3	-1.0	1.5	-0.8				
Unemployment rate	SA, %	5.4	4.6	4.9	4.5	4.7	4.3	4.4	4.4		
Outstanding consumer loans	% YoY	9.2	17.7	9.7	17.0	18.8	17.7	13.1	13.1	9.9	
Outstanding mortgage loans	% YoY	23.8	32.5	25.1	30.2	30.9	32.5	34.4	34.4	31.5	
Funds in escrow accounts	% YoY	–	162	603	408	303	162	133	133	120	
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	34.0	38.2	33.4	18.0	8.5	8.5		
• Large borrowers	% YoY	32.7	17.0	37.7	42.9	36.3	17.0	4.4	4.4		
• SMEs	% YoY	30.4	21.8	21.0	22.6	22.7	21.8	24.8	24.8		
Companies' price expectations	Balance of responses, SA	14.3	19.0	15.1	19.7	19.6	21.6	26.3	38.8	32.5	25.3
Business Climate Index	pp YoY	-7.5	8.0	6.8	12.1	6.0	7.2	-4.9	-7.5	-8.6	
• Current estimates	pp YoY	-9.1	9.6	4.6	18.2	7.3	8.3	-0.1	-3.3	-11.4	
• Expectations	pp YoY	-5.8	6.3	9.0	5.2	4.7	6.3	-10.0	-12.0	-5.5	

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