Bank of Russia

September 2024

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

9 October 2024

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (SEPTEMBER 2024)

In August–September, monetary conditions continued to tighten consistently, primarily in terms of price conditions (Chart 1). Nominal rates increased in most financial market segments, reflecting the actual key rate rise announced at the September meeting of the Board of Directors and market participants' expectations of possible further monetary policy tightening at the next meetings. Real yields on OFZ-IN went up to 9.0–11.5%, while breakeven inflation continued to go down. Simultaneously, households' inflation expectations lowered but remained at historical highs. High loan rates and the tightening of macroprudential measures constrained retail lending activity. Higher deposit rates supported households' propensity to save. According to recent assessments, the annual growth in money supply accelerated in September under the impact of continuously high corporate lending activity. However, monetary conditions tightened in general.

MONETARY POLICY TRANSMISSION

The monetary policy transmission mechanism (or monetary policy transmission) is a sequence of links in the economy through which monetary policy influences demand and, accordingly, inflation. This mechanism is based on interest rates and yields in the key market segments, influencing each other (the key rate has a direct effect on short-term money market rates; short-term rates influence long-term rates and OFZ yields; OFZ yields influence corporate bond yields; bond yields and long-term money market rates affect credit and deposit rates). Rates, in turn, influence the propensity to save, consume, and invest (the interest rate channel of the transmission mechanism), the ability of borrowers to provide high-quality collateral and that of banks – to expand lending (the credit and balance sheet channels), as well as the wealth of investors (the welfare channel), and the ruble exchange rate (the foreign exchange channel).[1]

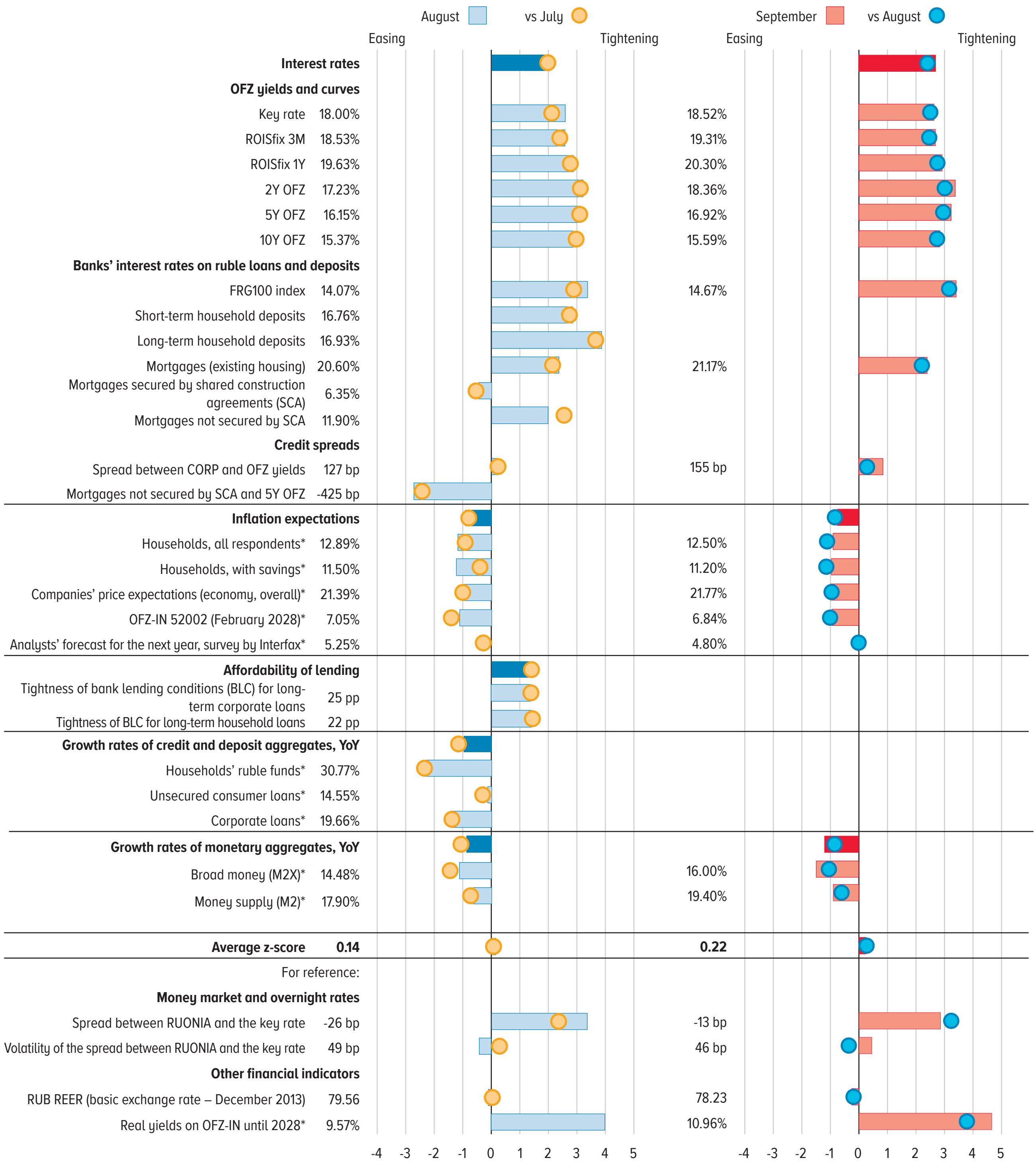
Through any of these channels, higher market rates constrain demand and inflation, while lower ones stimulate them. In addition to monetary policy and demand, inflation and financial market trends are influenced by many other factors that are taken into account by the Bank of Russia when deciding on the key rate.

This material briefly describes the monetary policy transmission and the conditions of its functioning.

[1] See Appendix 1 to the Monetary Policy Guidelines for 2024–2026.

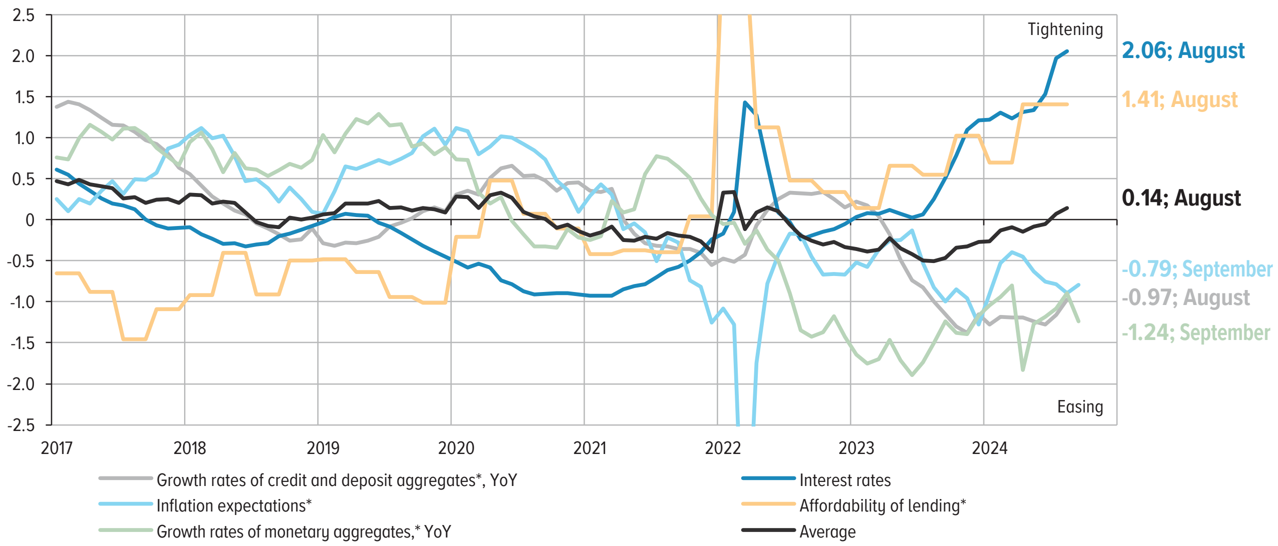
INDIVIDUAL INDICATORS OF MONETARY TIGHTNESS AND THEIR CHANGES

INDICATORS OF MONETARY TIGHTNESS *Chart 1*



Note. The indicator panel represents one possible summary visualisation of key indicators to help assess the monetary conditions and their changes. It should not be considered a comprehensive presentation of all types of indicators relevant to assessing the nature and changes of the monetary conditions. The chart shows the level of the indicator (z-score) relative to the distribution of values from January 2017 to August 2024 (left-hand chart) and to September 2024 (right-hand chart). The indicator's level (in standard deviation) as of the previous date is circled. A shift of the indicator to the left relative to the previous date indicates easing of monetary conditions, a shift to the right – their tightening. The z-scores for high-frequency indicators (OFZ yields, money market rates, the exchange rate, the spread between CORP and OFZ yields, etc.) were calculated based on the averages for the relevant month. The Z-score for the spread between RUONIA and the key rate was taken out of the calculation of the overall average indicator due to high volatility.
** The indicators were used to calculate the inverse z-score.*
Source: Bank of Russia calculations.

HISTORICAL DYNAMICS OF INDIVIDUAL INDICATORS OF MONETARY TIGHTNESS *Chart 2*



** The indicators were used to calculate the inverse z-score.*
Source: Bank of Russia calculations.

Interest rates

- **Monetary policy and the key rate.** On 13 September 2024, the Bank of Russia raised the key rate by 100 bp to 19.00% per annum. The decision was made due to the persistently high inflationary pressure. Inflation exceeded the July forecast, fuelled by elevated domestic demand supported by higher household incomes, fiscal incentives, and companies' own savings amid growing supply-side constraints.

To resume disinflation and reduce inflation expectations that can reinforce the inertia of underlying inflation, it may be necessary to further raise the key rate and maintain tight monetary conditions for a longer period.

The decision of the Board of Directors was in line with the expectations of most market participants. However, some analysts admitted that the key rate could be increased to 20.00%.

- **Banking sector liquidity and overnight rates (RUONIA).** The average spread between RUONIA and the key rate narrowed to -13 bp. (vs -26 bp in August) (Chart 4). The spread volatility was 46 bp (vs 49 bp in August). In early August, the spread was positive. Demand for liquidity remained strong after taxes had been paid in August and certain creditors had deposited funds with the Bank of Russia.[1] At the beginning of the September required reserve averaging period,[2] demand for liquidity increased as banks expected a key rate rise on 13 September. In this period, the RUONIA spread was also positive. After the key rate rise, demand for liquidity was down and the RUONIA spread expanded and became negative.

The average liquidity surplus decreased to ₽0.4 trillion over the month (vs ₽0.6 trillion in August) due to the Bank of Russia mirroring transactions with the assets of the National Wealth Fund. According to the recent data of the Bank of Russia payment system, budget revenues exceeded expenditures, and the budget surplus was close to the 2023 level. As before, the Federal Treasury's transactions offset

[1] See Monetary Conditions and Monetary Policy Transmission Mechanism. No. 8 (26). August 2024.

[2] From 11 September 2024 through 8 October 2024.

the impact of fiscal flows on banks' liquidity. The impact of the demand for cash on liquidity was almost neutral in September, staying close to the last years' averages (₽0.0 trillion in August).

The liquidity surplus is expected to range from ₽0.2 trillion to ₽1.0 trillion[3] by the end of 2024 (Table 5).

- **Money market.** In September, the ROISfix curve shifted upwards by 50–90 bp on average for all maturities. The most notable changes were recorded in the short-term section of the curve (up to three months), reflecting the actual and expected monetary policy tightening at the next meetings. Nevertheless, the Bank of Russia's decision to raise the key rate to 19% had a limited impact on money market rates because this rise was expected in general. The money market rates for at least three months approached 20%. Since the balance of risks shifted towards proinflationary ones, in part due to deteriorating conditions of foreign trade, elevated domestic demand and inflation expectations, the market admits that the monetary policy tightening might have not reached its peak yet and allows for a longer period of high rates than after the July meeting of the Board of Directors.

ROISFIX CURVE *Table 1*

Maturity	1w	2w	1M	2M	3M	6M	1Y	2Y
30.09.2024	18.85	18.97	19.14	19.40	19.66	20.35	20.59	19.82
30.08.2024	18.02	18.08	18.33	18.77	18.98	19.77	20.05	19.23
Change, bp	83	89	81	63	68	58	54	59

Sources: Moscow Exchange, National Finance Association.

- **Federal government bonds.** The upward adjustment of expectations about the key rate and its forecast path in the baseline scenario affected mainly short- and medium-term OFZ yields. Average monthly OFZ yields on these maturities were up by 50–100 bp over September. The long-term segment of the curve remained relatively unchanged for the second consecutive month.

OFZ ZERO COUPON YIELD CURVE *Table 2*

Maturity	1Y	2Y	3Y	5Y	7Y	10Y
30.09.2024	19.43	19.05	18.52	17.47	16.65	15.85
30.08.2024	18.35	18.11	17.55	16.68	16.18	15.78
Change, bp	108	93	97	79	47	7
Average for September 2024	18.59	18.36	17.87	16.92	16.24	15.59
Average for August 2024	17.41	17.23	16.83	16.15	15.73	15.37
Change, bp	118	113	104	77	51	22

Sources: Moscow Exchange, Bank of Russia calculations.

The secondary OFZ market liquidity remained low for the third consecutive month. Daily average trades totalled ₽15.5 billion (vs ₽14.8 billion in August; 20.7 billion in January–August). The composition and behaviour of market participants did not change in any significant way either. All groups of market participants acquired OFZ in the primary and secondary markets, except for trust managers (-₽7.4 billion) and systemically important credit institutions (-₽14 billion). The largest buyers were individuals (₽10 billion) and friendly non-residents (₽7.1 billion).

The Ministry of Finance of the Russian Federation (hereinafter, the Ministry) held four auctions in September offering OFZ-PD (fixed-coupon federal government bonds) and OFZ-PK (variable

[3] See Commentary on the Bank of Russia's Medium-term Forecast, dated 7 August 2024.

coupon-income federal government bonds) at each of them. Total offerings slightly exceeded the August figures (September revenues: ₽227 billion vs August revenues: ₽217 billion). Demand averaged ₽230 billion, which was comparable to the August values. Since June 2024, the Ministry had been offering traditional securities primarily in the long-term segment and at a moderate premium (+3–7 bp) to the secondary market yields. However, high current inflation rates and a worsening situation in the debt market prevented the Ministry from offering large amounts of traditional securities making it offer OFZ-PK more actively in September. Demand for floaters accounted for around 60% of the offering amount at each auction, which is comparable with the previous month. Over the first nine months of 2024, the Ministry raised ₽1.8 trillion at auctions. It should raise ₽2.1 trillion by the end of the year to reach its updated annual borrowing target of over ₽3.9 trillion (on average, ₽0.7 trillion per month).

- **Corporate bond market.** The rise in government bond yields translated into higher corporate bond yields. The IFX-Cbonds index had reached its maximum since February 2009 amounting to 20.35% (+74 bp MoM). However, the average monthly spread between corporate bond yields and OFZ yields expanded to 155 bp (vs 127 bp in August), exceeding the averages of 2023–2024.

Nevertheless, in September, corporate borrowers raised almost twice as much funds in the primary market as in August (₽843 billion in September and ₽486 billion in August). The growth rate of the corporate bond portfolio by early 2024 was above the median of 2014–2021 (September 2024: +11.9%; median: 7.2%) but below the figures of the same period of 2023 (18.1% in September 2023).

As of the end of September, the market of corporate bonds totalled ₽28.4 trillion (+21.4% YoY; ₽23.4 trillion in September 2023).

The issue of substitute bonds offered by oil and gas companies and the banking sector amounted to ₽50.6 billion in September. According to Cbonds, yields on substitute bonds included in the relevant index edged down equalling 11.29% (-11 bp MoM). The spread between them and US Treasuries (UST) with similar maturities remained almost unchanged relative to August (771 bp in September vs 776 bp in August).

Banks' interest rates on ruble loans and deposits

- **Deposit rates.** The key rate increase at the meeting on 26 July and the stronger signal regarding its further path influenced the deposit rates already at the end of August. Taking into account the continuing tough competition for depositors among banks, the increase in the interest rates was fairly widespread and, unlike the July increase, was recorded in the segment of short-term[4] transactions along with long-term ones (Chart 9). According to recent assessments, deposit market participants were also raising retail deposit rates throughout September, including for the longest maturities, after the meeting on 13 September. This could have been triggered by the Bank of Russia's strong signal regarding the possible decision at the next meeting and a general increase in financial market participants' expectations that monetary conditions would remain tight for a long period. Banks' closer focus on the longer-term deposit segment was also evidenced by the dynamics of the FRG100 index[5] which characterises one-year deposit yields: in September, it was up by 0.6 pp, which was substantially lower than the growth in June–July (Chart 10).

- **Corporate loan rates.** The rates on loans to non-financial organisations continued to grow in August. As in July, this trend was most notable in the segment of short-tern transactions. A more

[4] Interest rates on short-term deposits (for up to one year, except for sight deposits), short-term loans (for up to one year), and long-term deposits and loans (for over one year).

[5] The average interest rate of the 80 largest deposit banks on one-year deposits worth at least ₽100,000, according to the news agency Frank RG.

moderate increase in long-term loan rates was partially due to the fact that there was still a relatively large portion of project financing and other loans at interest rates below the market ones, including subsidised loans (Chart 9). The rise in the key rate at the September meeting would push up the cost of borrowings for companies in the next months.

- **Retail loan rates.** In August, long-term household loan rates continued to grow but much more slowly than in July (Chart 9). This was largely associated with a downward adjustment of the average mortgage rate owing to transactions of a limited number of major banks in the existing housing market and a rise in the share of the new housing segment in the market turnover. Nevertheless, a simultaneous surge in car and consumer loan rates and a slight increase in the rates in the new housing segment of the mortgage market may be evidence that the pricing in retail lending was gradually adjusting to the monetary policy tightening and the resulting rise in bank funding costs. High-frequency indicators evidence a continuing upward trend in market mortgage and non-mortgage rates of major banks in September as well (Chart 10). The rise in the key rate at the meeting on September 13 combined with a gradual decline in banks' risk appetite under the impact of tighter macroprudential regulation should additionally affect the average cost of household loans at the end of the last month.

Growth rates of credit and deposit aggregates

- **Deposits.** The continuing growth in deposit rates still supported the households' propensity to save in August. In the last summer month, the dynamics of the portfolio of individuals' ruble funds with banks[6] was almost entirely determined by the increase in time deposits amid declining balances in current accounts. By early September, the annual growth of the portfolio[7] accelerated to 30.8%, remaining close to more than ten-year highs. Although the decisive contribution of the short-term segment to the annual dynamics of the aggregate deposit portfolio remained unchanged, balances in long-term deposits had been soaring for the second consecutive month, which was likely to be associated with a more notable increase in the relevant rates by banks (Chart 11). Moreover, a surge in returns on ruble deposits over the summer months could have encouraged households to keep part of their foreign currency savings in them: funds in foreign currency accounts dropped in August. Nevertheless, the share of foreign currency in the retail deposit portfolio edged up to 7.5% amid a weaker ruble vs 7.3% in July.

- **Corporate lending.** The tightening of monetary conditions for corporate borrowers confirmed by preliminary lending survey results for 2023 Q3, had not fully affected the portfolio of loans to non-financial organisations by early September. The growth rate of ruble lending remained nearly the same as in July and higher than the averages of 2024 H1, seasonally adjusted (SA) (Chart 12). According to the banks surveyed, the tightening of price lending conditions following the increase in the key rate and bank funding costs resulted in a decline in companies' demand for loans in July–September, which was more notable among SMEs. Nevertheless, the limited response of the corporate lending portfolio may be associated both with the above-mentioned significant effect of project financing and other forms of non-market-based lending on lending activity and with continuing high investment activity amid substantial return on capital in most sectors.

[6] Hereinafter, households' funds with banks include balances in time deposits, sight deposits and current accounts, but do not include escrow accounts under shared construction agreements.

[7] Hereinafter, increases in banks' balance sheet indicators are calculated based on the reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in loans are calculated taking into account the acquired rights of claim, while increases in mortgage loans are calculated with an additional adjustment for securitisation transactions. Increases in foreign currency claims and liabilities are calculated in US dollar terms. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate.

- **Retail lending.** The signs of a decline in retail lending activity that were recorded in July became more pronounced in August (Charts 12 and 13). Under the impact of increasing loan rates and constraining macroprudential measures, annual growth in the portfolio of unsecured consumer loans amounted to 1.3%, which was substantially below the figures of August 2023. Lending activity in the mortgage market was close to the July level, which was more moderate and balanced as compared with the elevated averages of 2022 and 2023 when the non-targeted subsidised mortgage lending programme became most popular. This entailed a slowdown in the annual growth of the mortgage loan portfolio relative to July. In August, subsidised programmes accounted for slightly more than a half of the market turnover vs 74% on average in 2024 H1.

According to recent data, the retail lending rate continued to slow down in September, notably falling behind the dynamics recorded in July and 2024 H1 in general (SA). A gradual decline in the retail lending market was evidenced by the preliminary bank lending survey results: the respondents reported the tightening of price and non-price lending conditions for retail borrowers that continued in 2024 Q3 and the related decrease in their demand for loans.

Growth rates of monetary aggregates

- **Money supply.** The increase in monetary aggregates continued to gradually slow down in August. By the end of the month, the annual growth of money supply in the national definition (M2) was 17.9% (vs 18.2% in July), and that of broad money, adjusted for foreign currency revaluation (M2X), was 14.5% (vs 15.6% in July). According to preliminary assessments, the annual growth rate of money supply in September exceeded the figures of the end of August and was almost equal to the early 2024 level (Chart 15).

- **Sources of money supply.** The banking system's claims on the economy continued to play the key role in the formation of money supply: the deceleration of their annual increase from 21.5% in July to 20.6% in August constrained the dynamics of monetary aggregates. The impact of budget operations on the money supply growth in July–August 2024 was lower than in July–August 2023. According to recent assessments, the contribution of corporate lending to the dynamics of monetary aggregates was slightly higher, which fuelled their annual growth.

- **Components of money supply.** Ruble deposits of the real sector continued to make a decisive contribution to the dynamics of money supply. The proportion of time deposits continued to grow: they were up by almost 38% vs August 2023, whereas the M1 aggregate – only by 1.8%. The annual M0 change remained negative (-3.3% as of the end of July).

- **Exchange rate (foreign exchange channel)**

As of the end of September, the ruble depreciated against the US dollar and the euro by around 2% and by 10% against the Chinese yuan (Table 3). Average monthly rates demonstrated similar dynamics: the ruble depreciated against the US dollar, the euro, and the Chinese yuan by 2.4%, 3.4%, and 7.7%, respectively. The differences in the dynamics were due to the normalisation of the CNY/RUB exchange rate regime on Moscow Exchange. The spread between the USD/CNY rate calculated based on the official USD/RUB and CNY/RUB rates and the USD/CNY rate in foreign markets substantially narrowed to the July values. Overall liquidity of the foreign currency market did not change significantly, and the normalisation of the spread was due to the adjustment of market participants to the new conditions. Net sales of foreign currency by core exporters amounted to $8.3 billion, having declined by 30% vs August. In September, ruble volatility dropped to the figures of late 2023.

The real effective exchange rate (REER) of the ruble calculated against the currencies of the main foreign trade partners weakened by 1.7% in August (depreciation by 2.9% YoY). According to preliminary assessments, the REER weakened by another 1.7% over September vs August and is currently slightly below its multi-year median (-2% vs the median of January 2015–September 2024).

RUBLE EXCHANGE RATE *Table 3*

	USD/RUB (Bank of Russia)	EUR/RUB (Bank of Russia)	CNY/RUB (Moscow Exchange)
30.09.2024	92.71	103.47	13.24
31.08.2024	91.19	100.76	12.05
Change, %	+1.67	+2.69	9.88
Average for September	91.31	101.36	12.84
Average for August	89.16	98.08	11.92
Change, %	+2.41	+3.34	+7.70

Note. '+' – depreciation of the ruble; '-' – appreciation of the ruble.
Sources: Moscow Exchange, Bank of Russia calculations.

- **Russian stock markets**

In September, the downward trend in the Russian stock market that had continued for four months was interrupted. The MOEX Index equalled 2,858 as of the end of the month (+7.8% MoM; -8.7% YtD), returning to the August 2024 level. The market was supported by first-tier securities characterised by low debt burden and stable financial position. The most significant growth in September was recorded in oil and gas (+8.2% MoM), metal making and mining and quarrying (+7.4% MoM), and transportation (+10.4% MoM) segments. The Russian Volatility Index (RVI) averaged 31 p (-5 p MoM) in September, which is comparable to the average of 30 p recorded last month and last year.

- **Foreign markets**

The average policy rate (weighted by GDP) in advanced economies (AEs) continued to decline in September (-30 bp to 3.90%). Certain central banks started to ease monetary policy. These included the US Fed (-50 bp to 5.00%), the European Central Bank (-25 bp to 3.50%), the Bank of Canada (-25 bp to 4.25%), Sweden's Riksbank (-25 bp to 3.25%), and the Czech National Bank (-25 bp to 4.25%). The weighted average rate in emerging market economies (EMEs) also declined as central banks in a number of countries cut their policy rates, including Mexico (-25 bp to 10.5%), Peru (-25 bp to 5.25%), and South Africa (-25 bp to 8.00%). However, Banco Central do Brasil raised the policy rate by 25 bp to 10.75%.

As of the end of September, the yield curve of US Treasuries moderately declined along its entire length (Table 4). The US Fed had decreased the base rate by 50 bp to 4.75–5.00% for the first time since March 2020 amid declining inflationary pressure and decelerating economic activity, including in the labour market. At the end of September, the US Fed funds rate reduction by 75 bp by the end of the year was factored into the prices for US interest rate derivatives. European yield curves generally demonstrated similar dynamics, taking into account the European Central Bank's decision to reduce the deposit rate by 25 bp to 3.50%. The decision was in line with the analysts' consensus forecast.

UST YIELD CURVE *Table 4*

Maturity	2Y	5Y	10Y
30.09.2024	3.66	3.58	3.81
30.08.2024	3.91	3.71	3.91
Change, bp	-25	-13	-10
Average for September 2024	3.62	3.50	3.72
Average for August 2024	3.97	3.71	3.87
Change, bp	-35	-21	-15

Sources: Cbonds, Bank of Russia calculations.

The expectations regarding the US Fed funds rate path had contributed to the depreciation of the US dollar for the third month in a row: the US Dollar Index (DXY) went down to 100.8 (-0.95%). The EMEs' currencies mostly appreciated against the US dollar (BRLUSD: +2.8%; CNYUSD: +1.1%; TRYUSD: -0.4%; MXNUSD: +0.2%).

As of the end of September, global stock markets were mostly up after a decline at the beginning of the month (S&P 500: +2.0%; Stoxx 600: -0.4%; Nikkei 225: -1.9%; SSE Composite: +17.4%; Nifty 50: +2.3%; MSCI ACWI: +2.2%). Elevated volatility in the first half of September was associated with the USA's controversial macrostatistical data: moderately negative dynamics of the US labour market amid simultaneous acceleration of consumer and core inflation. The US market had dropped by more than 4% over a week (from 30 August 2024 to 9 September 2024) for the first time since June 2022. The market sentiment changed after the US inflation data had been released, resulting in stronger expectations that monetary policy would be eased; the S&P 500 index increased by 4% next week (from 6 September 2024 to 13 September 2024). The surge in the Chinese market after its drop over the previous months of 2024 was associated with China announcing new measures to boost the economy, which included reducing the cost of borrowings on mortgage loans, permitting brokers and funds to use the funds of the People's Bank of China to purchase shares, etc.

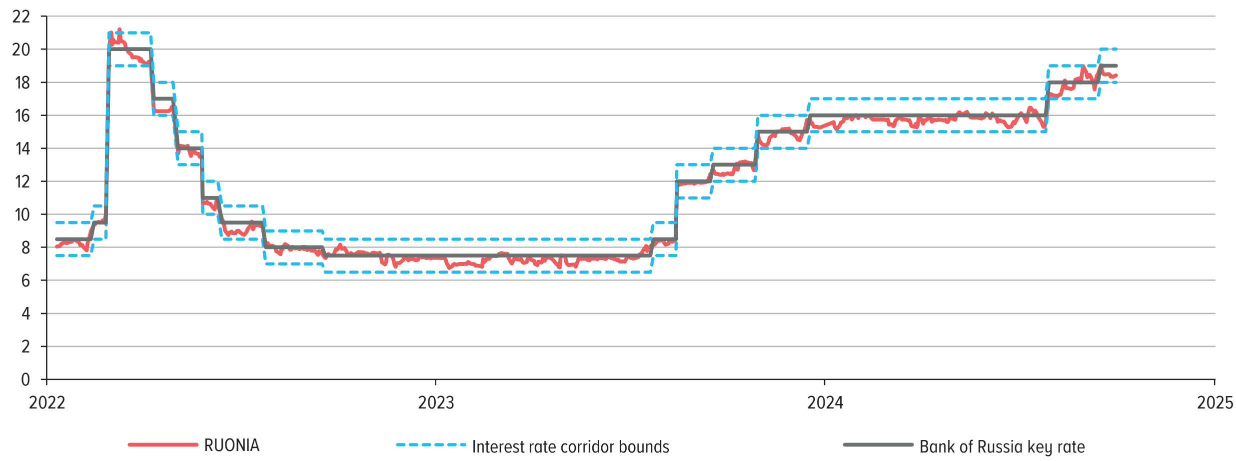
Charts and tables

THE LIQUIDITY SURPLUS IS EXPECTED TO RANGE FROM ₽0.2 TRILLION TO ₽1.0 TRILLION BY THE END OF 2024 *Table 5*
(₽ TRILLIONS)

	2023	January–September 2024	September 2024	2024 (forecast)
Liquidity deficit (+)/surplus (-) (as of the beginning of the period)	**-3.5**	**0.0**	**-0.6**	**0.0**
Liquidity inflow (+)/outflow (-):	-3.4	-0.3	-0.9	[0.2; 1.0]
– change in the balances of funds in general government accounts with the Bank of Russia and other operations*	1.0	-0.2	-0.9	[1.1; 1.3]
– change in the amount of cash in circulation	-2.0	0.4	0.0	[-0.2; 0.2]
– change in required reserves	-2.4	-0.5	-0.1	[-0.8; -0.6]
Liquidity deficit (+)/surplus (-) (as of the end of the period)	**0.0**	**0.3**		**[-1.0; -0.2]**

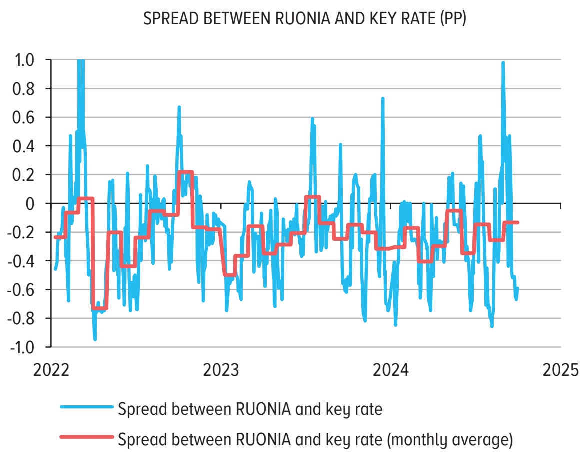
** Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.*
Source: Bank of Russia calculations.

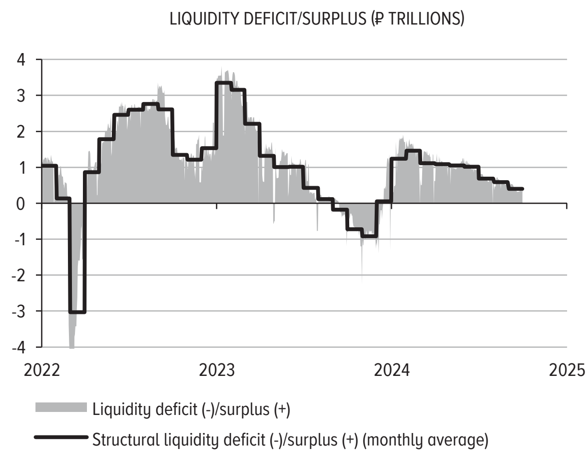
RUONIA DYNAMICS *Chart 3*
(%)



Source: Bank of Russia calculations.

THE AVERAGE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE NARROWED IN SEPTEMBER *Chart 4*

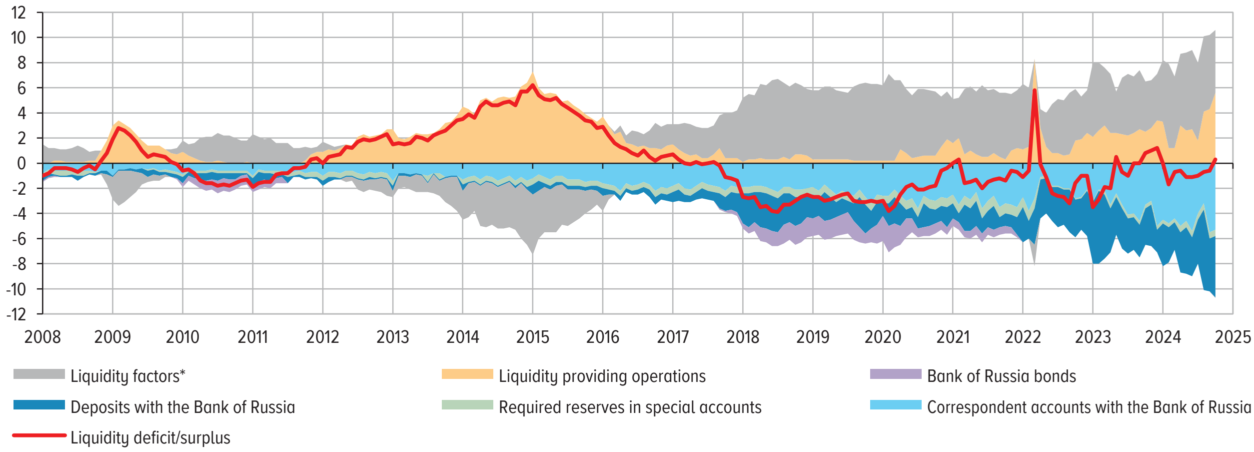




Source: Bank of Russia calculations.

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

Chart 5

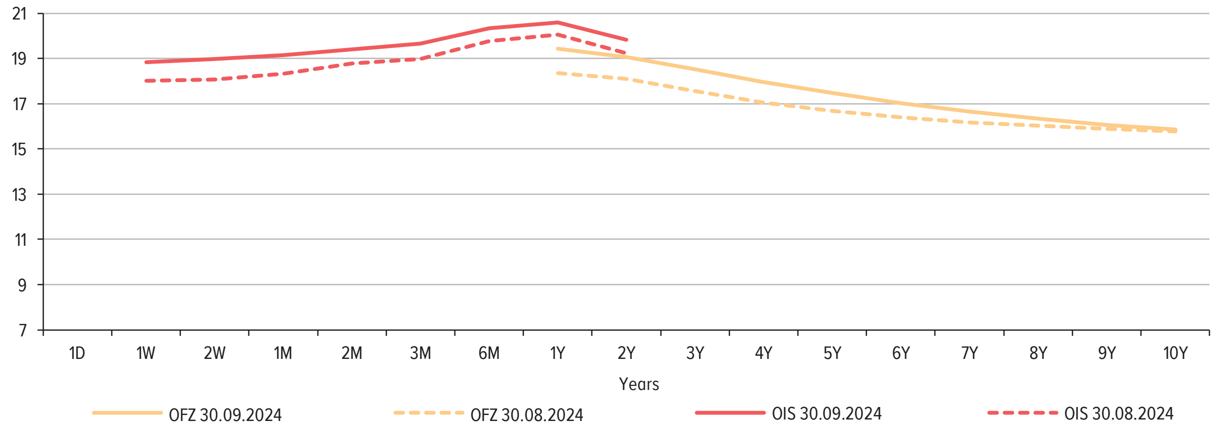


** This item is balancing and comprises changes in all other, not differentiated, items of the Bank of Russia's balance sheet.*
Source: Bank of Russia calculations.

MONEY MARKET CURVES SHIFTED UPWARDS ON SHORT AND LONG MATURITIES

Chart 6

MONEY MARKET CURVES, % P.A.

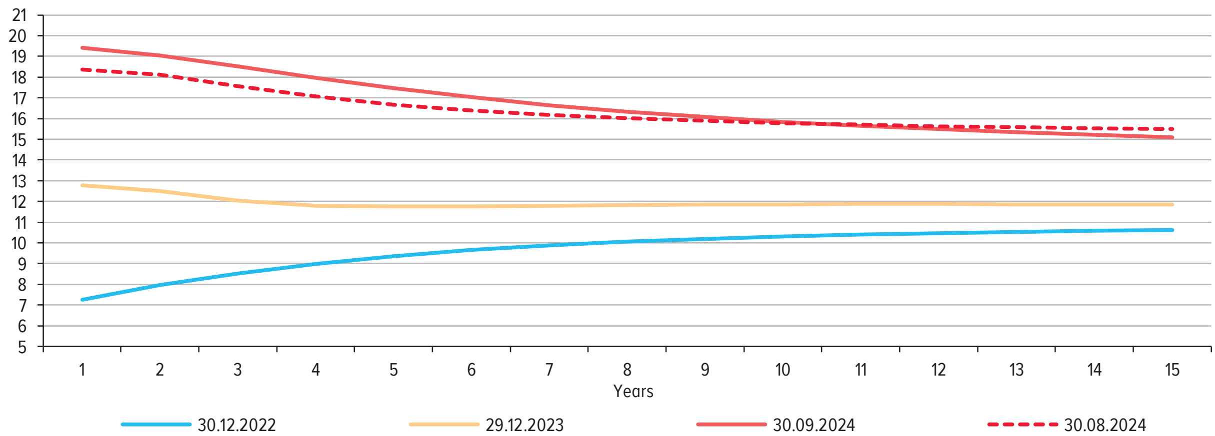


Sources: Moscow Exchange, National Finance Association.

MEDIUM-TERM OFZ YIELDS SURGED

Chart 7

OFZ ZERO COUPON YIELD CURVE, % P.A.



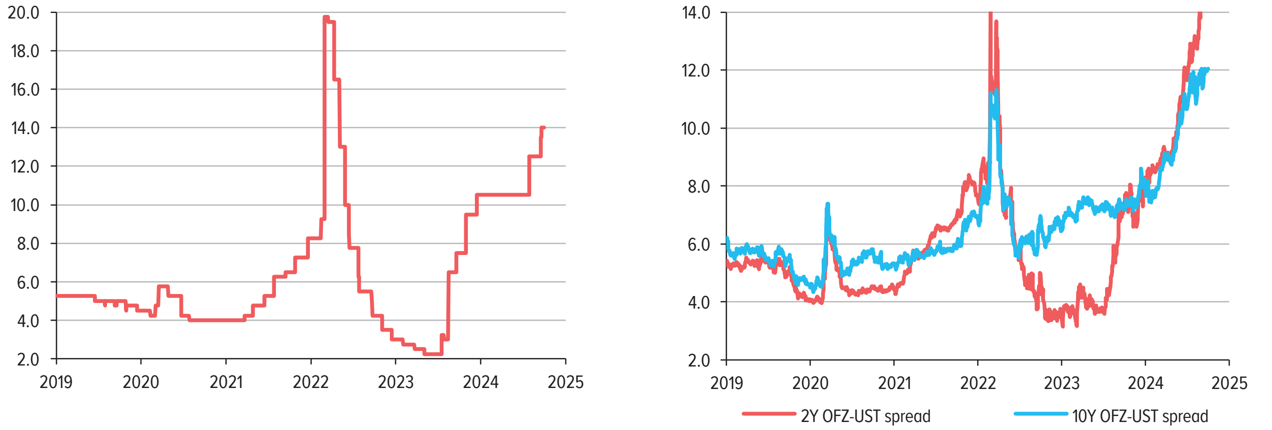
Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

THE SPREAD BETWEEN OFZ AND UST YIELDS EXPANDED

Chart 8

SPREAD BETWEEN THE BANK OF RUSSIA KEY RATE AND THE US FED FUNDS RATE, PP

SPREAD BETWEEN OFZ AND UST YIELDS, PP

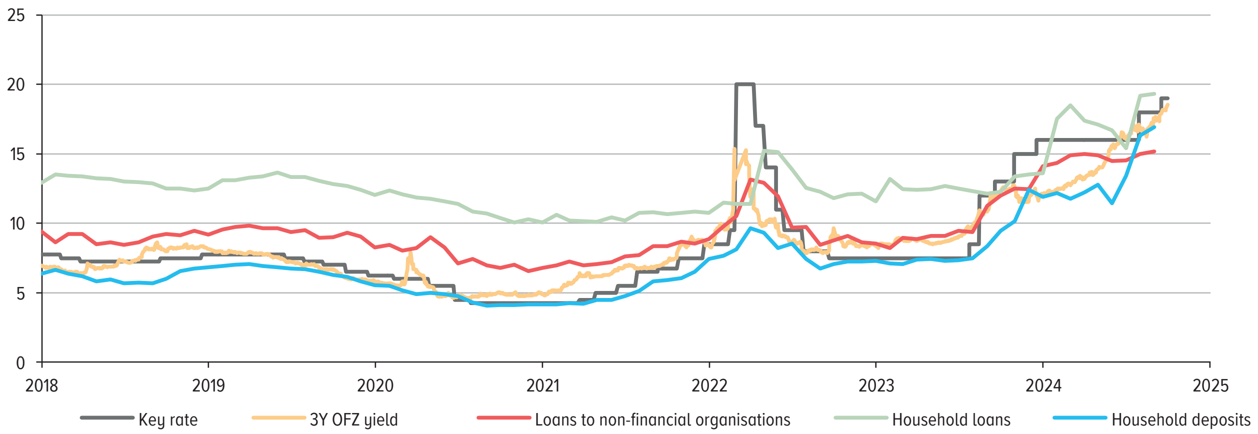


Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

LOAN AND DEPOSIT RATES CONTINUED TO RISE IN AUGUST IN RESPONSE TO THE ACTUAL AND EXPECTED MONETARY POLICY TIGHTENING

Chart 9

INTEREST RATES ON BANKS' LONG-TERM RUBLE TRANSACTIONS, % P.A.

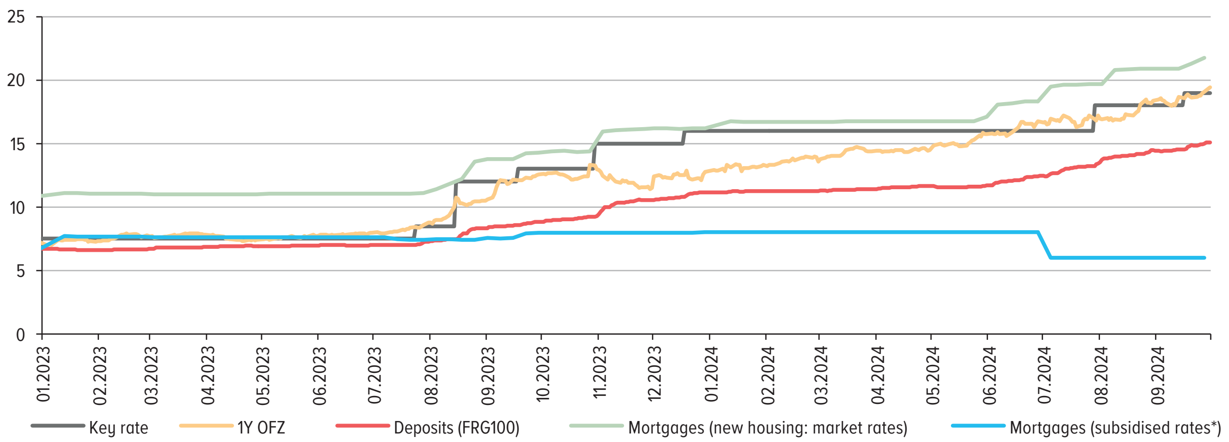


Source: Bank of Russia.

RATES IN THE RETAIL SEGMENT OF THE CREDIT AND DEPOSIT MARKET CONTINUED TO RISE IN SEPTEMBER AFTER ADDITIONAL MONETARY POLICY TIGHTENING

Chart 10

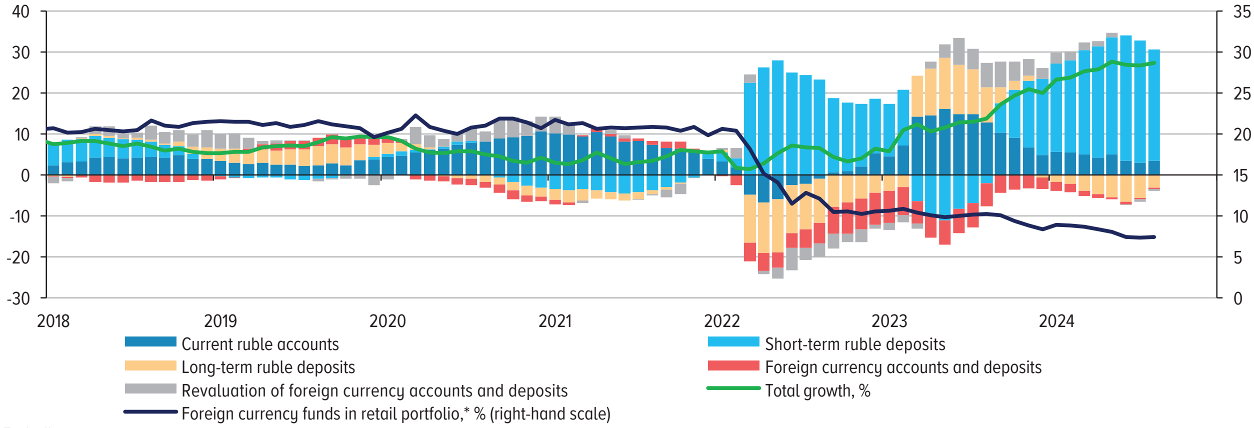
HIGH-FREQUENCY INTEREST RATE INDICATORS, % P.A.



** Until 1 July 2024 – the interest rate under the Subsidised Mortgage programme, from 1 July 2024 – the interest rate under the Family Mortgage programme.*
Sources: Bank of Russia, Frank RG, JSC DOM.RF.

HIGHER DEPOSIT RATES ENCOURAGED HOUSEHOLDS TO DEPOSIT FUNDS WITH BANKS IN AUGUST

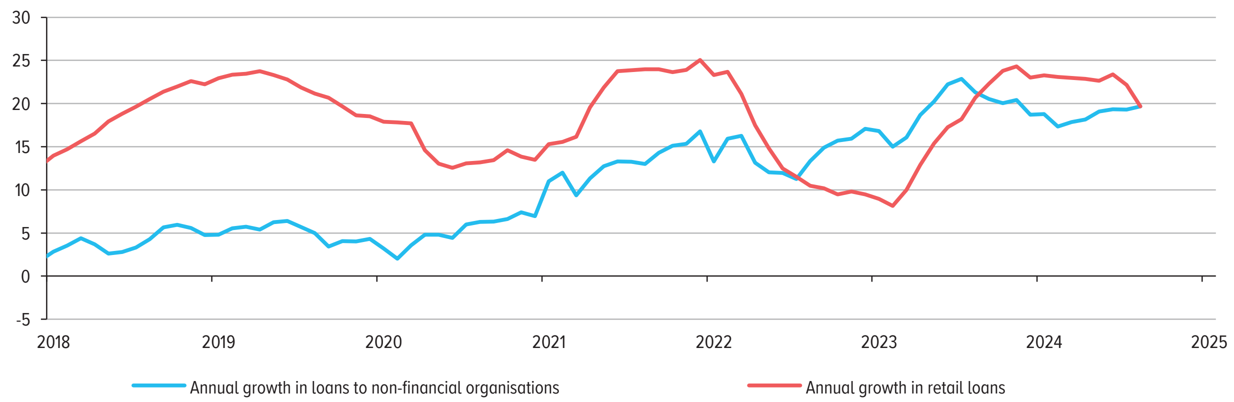
Chart 11



** Excluding escrow accounts.*
Source: Bank of Russia calculations.

RETAIL LENDING DEMONSTRATES SIGNS OF DECELERATION VS 2023

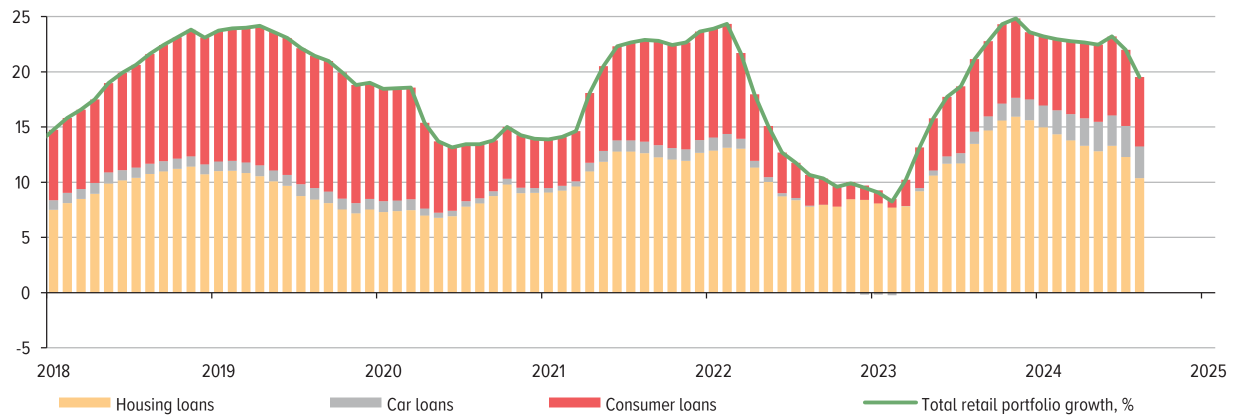
Chart 12



** Since 1 February 2021, the portfolio of corporate and retail loans includes acquired rights of claim, therefore the growth indicators in the chart before and after this date are comparable to a limited extent.*
Source: Bank of Russia calculations.

A SLOWDOWN IN LENDING VS 2023 WAS RECORDED ACROSS ALL SEGMENTS EXCEPT FOR CAR LOANS

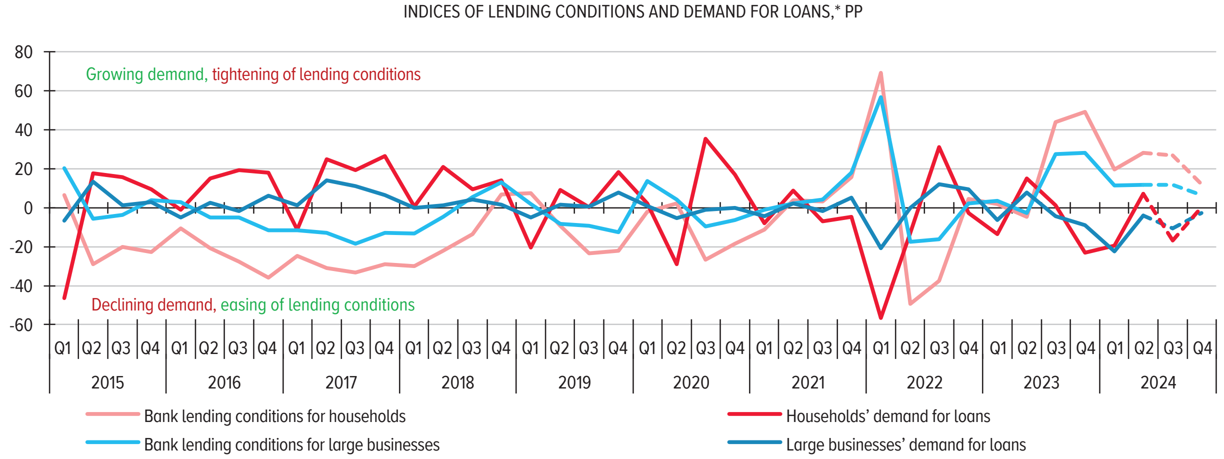
Chart 13



** For loans grouped into homogeneous loan portfolios, including acquired rights of claim.*
Source: Bank of Russia calculations.

BANKS EXPECT FURTHER TIGHTENING OF LENDING CONDITIONS IN 2024 Q3

Chart 14



** The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2024 Q2.*
Source: Bank of Russia.

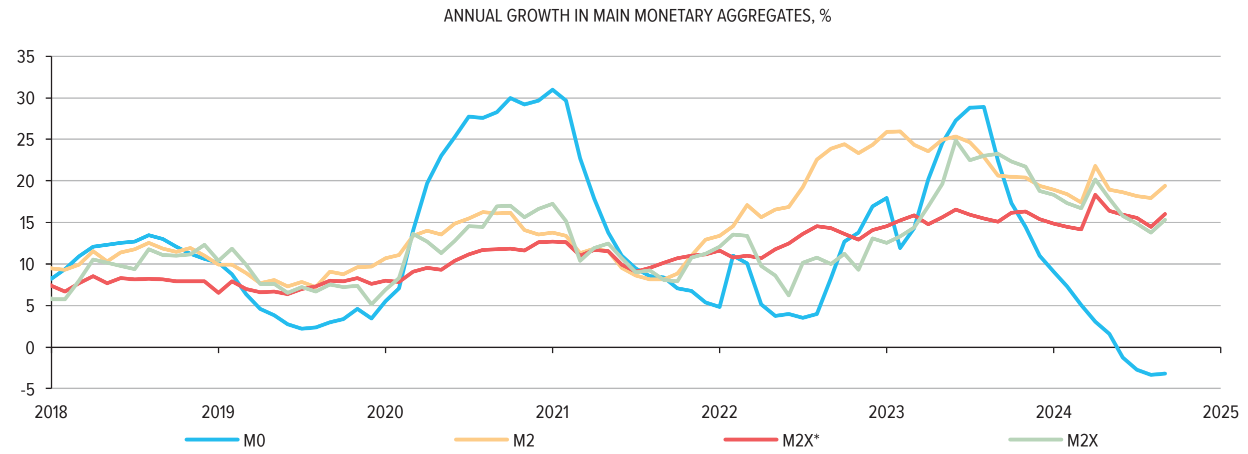
CREDIT AND DEPOSIT MARKET INDICATORS

Table 6

		May 2024	June 2024	July 2024	August 2024
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	11.4	13.4	16.3	16.9
household loans	% p.a.	16.7	15.4	19.2	19.3
corporate loans	% p.a.	14.5	14.5	15.0	15.2
Household funds*	**% YoY, AFCR**	**27.7**	**26.9**	**26.8**	**27.4**
in rubles*	% YoY	31.3	30.5	30.3	30.8
in foreign currency	% YoY	-5.4	-5.0	-3.8	-2.7
share of foreign currency*	%	8.0	7.4	7.3	7.5
Loans to non-financial organisations**	**% YoY, AFCR**	**19.1**	**19.3**	**19.3**	**19.7**
short-term (up to one year)	% YoY, AFCR	33.5	32.6	31.8	30.1
long-term (over one year)	% YoY, AFCR	18.0	18.6	18.4	19.2
Household loans**	**% YoY, AFCR**	**22.7**	**23.4**	**22.2**	**19.7**
unsecured consumer loans**	% YoY	16.0	16.5	15.8	14.5
Claims of the banking system on the economy	**% YoY, AFCR**	**23.2**	**22.8**	**21.5**	**20.6**
on businesses	% YoY, AFCR	23.5	22.6	21.3	20.9
on households	% YoY, AFCR	22.6	23.3	22.1	19.7
Money supply (M2)	**% YoY**	**18.9**	**18.7**	**18.2**	**17.9**
Broad money (M2X)	**% YoY, AFCR**	**16.4**	**15.9**	**15.6**	**14.5**

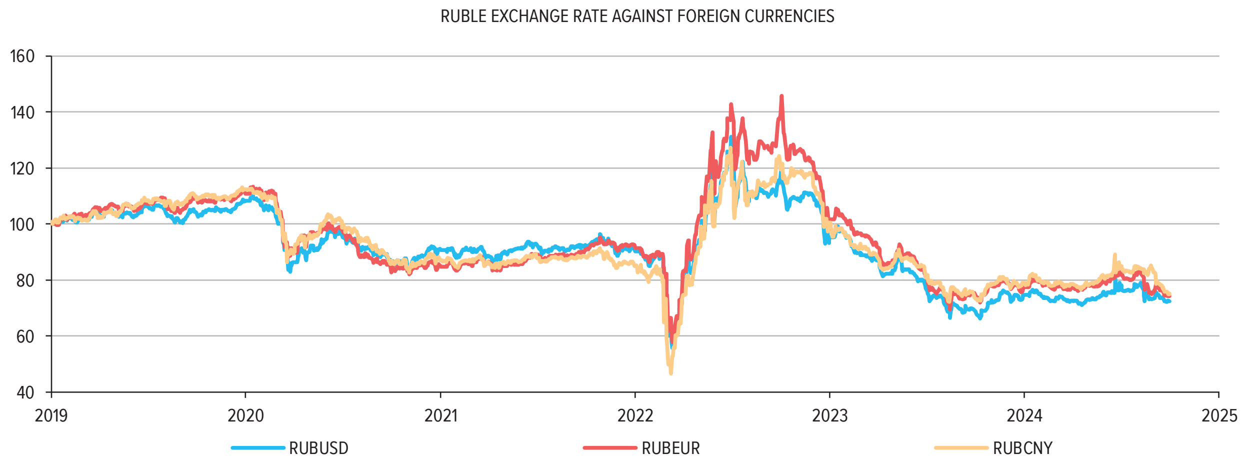
** Excluding escrow accounts.*
*** Including acquired rights of claim.*
Note. YoY – year-on-year; AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.
Source: Bank of Russia calculations.

MONEY SUPPLY GROWTH ACCELERATED FUELLED BY CONTINUOUSLY HIGH CORPORATE LENDING ACTIVITY *Chart 15*



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

THE RUBLE CONTINUED TO DEPRECIATE IN SEPTEMBER *Chart 16*
(02.01.2019 = 100)



Sources: Cbonds, Bank of Russia calculations.

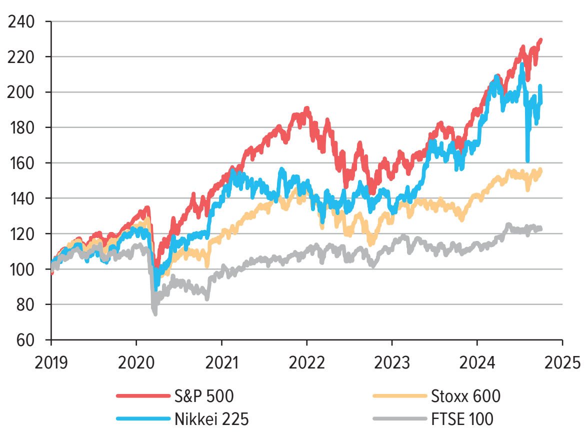
THE RUSSIAN EQUITY MARKET DEMONSTRATED UPWARD TREND *Table 7*

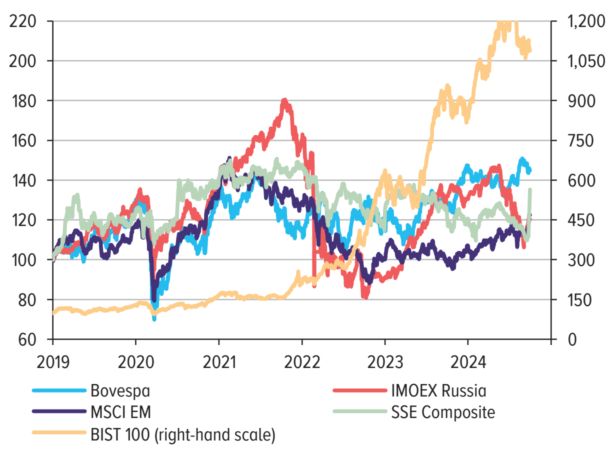
Indicator		30.09.2024	1M	3M	6M	YTD	1Y
Russian financial market ('+' – positive trends, '-' – negative trends)							
RUB/USD exchange rate (Bank of Russia)		**92.71**	-1.7	-9.1	-0.4	-2.7	3.9
MOEX Russia Index		**2,858**	7.8	-9.4	-15.0	-7.8	-8.1
RTS Index		**966**	5.5	-16.7	-15.9	-10.9	-4.5
Government bond yields		**16.96**	50	155	362	498	491
Corporate bond yields		**20.35**	74	242	488	617	749
Regional bond yields		**18.93**	108	232	468	631	663
RVI		**31**	-5	7	11	3	2
Exchange rates (per US dollar, % change; '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	**100.76**	-1.0	-4.8	-4.1	-0.6	-5.1
	Euro	**1.11**	0.8	3.9	3.6	0.9	5.4
	Japanese yen	**143.62**	-1.8	-10.7	-5.3	1.9	-3.8
	Pound sterling	**1.34**	1.9	5.8	6.6	4.9	9.6
EMEs	Ruble	**92.87**	-2.5	-8.3	-0.5	-4.3	3.9
	Brazilian real	**5.45**	2.8	2.6	-7.8	-12.3	-8.3
	Mexican peso	**19.69**	0.2	-7.5	-18.5	-15.9	-12.2
	Chinese yuan	**7.02**	1.1	3.4	2.9	0.9	3.9
	Turkish lira	**34.20**	-0.4	-4.5	-5.8	-15.9	-24.8
	South African rand	**17.27**	3.1	5.1	8.8	5.6	9.0
10Y bond yields (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	**3.81**	-10	-55	-52	-7	-78
	Germany	**2.12**	-18	-38	-18	10	-81
	Japan	**0.85**	-4	-20	12	24	10
	UK	**4.00**	-1	-17	7	47	-48
EMEs	Russia	**15.85**	7	74	249	398	394
	Brazil	**12.29**	26	9	125	192	49
	Mexico	**9.32**	-77	-91	-41	5	-102
	China	**2.18**	-1	-4	-15	-42	-53
	Turkey	**28.49**	176	13	204	336	34
	South Africa	**8.85**	-35	-137	-204	-92	-220
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	USA	**35**	3	0	-1	-8	-8
	Germany	**10**	1	0	0	-7	-11
	Japan	**19**	-1	-2	0	-6	-3
	UK	**22**	0	-3	-8	-15	-10
EMEs	Brazil	**146**	2	-16	11	20	-32
	Mexico	**115**	12	10	26	30	-7
	China	**60**	-1	-7	-12	-1	-23
	Turkey	**257**	-3	-18	-33	-11	-128
	South Africa	**176**	-19	-31	-78	-22	-106
Stock indices (p, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	**5,762**	2.02	5.5	9.9	20.8	34.0
	Stoxx 600	**523**	-0.41	2.2	2.0	9.2	16.6
	Nikkei 225	**37,920**	-1.88	-4.2	-4.7	13.3	19.0
	FTSE 100	**8,237**	-1.67	0.9	3.6	6.5	8.4
EMEs	MSCI EM	**1,171**	6.93	7.8	12.4	14.4	24.0
	Bovespa	**131,816**	-3.08	6.4	3.8	-1.8	13.9
	IPC Mexico	**52,477**	0.95	0.1	-9.0	-8.6	1.8
	SSE Composite	**3,336**	17.39	12.4	8.4	12.2	7.3
	BIST 100	**9,666**	-1.70	-9.2	5.3	29.4	17.6
	FTSE/JSE	**86,548**	3.34	8.6	16.1	12.6	19.4

** Advanced economies.*
Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

STOCK INDICES SHOWED DIVERSE TRENDS IN AUGUST
(02.01.2019 = 100)

Chart 17





Note. The stock indices are indicated in national currencies.
Sources: Cbonds, Bank of Russia calculations.

Data cut-off dates:

- Interest rates – 30 September 2024.
- Banks' interest rates on ruble loans and deposits – 1 September 2024, high-frequency data – 30 September 2024.
- Growth rates of credit and deposit aggregates – 1 September 2024.
- Growth rates of monetary aggregates – 1 September 2024, high-frequency data – 1 October 2024.

The electronic version of the information and analytical commentary is available on the Bank of Russia website.

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

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Bldg V, 12 Neglinnaya Street, Moscow, 107016

Bank of Russia website: www.cbr.ru