



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.

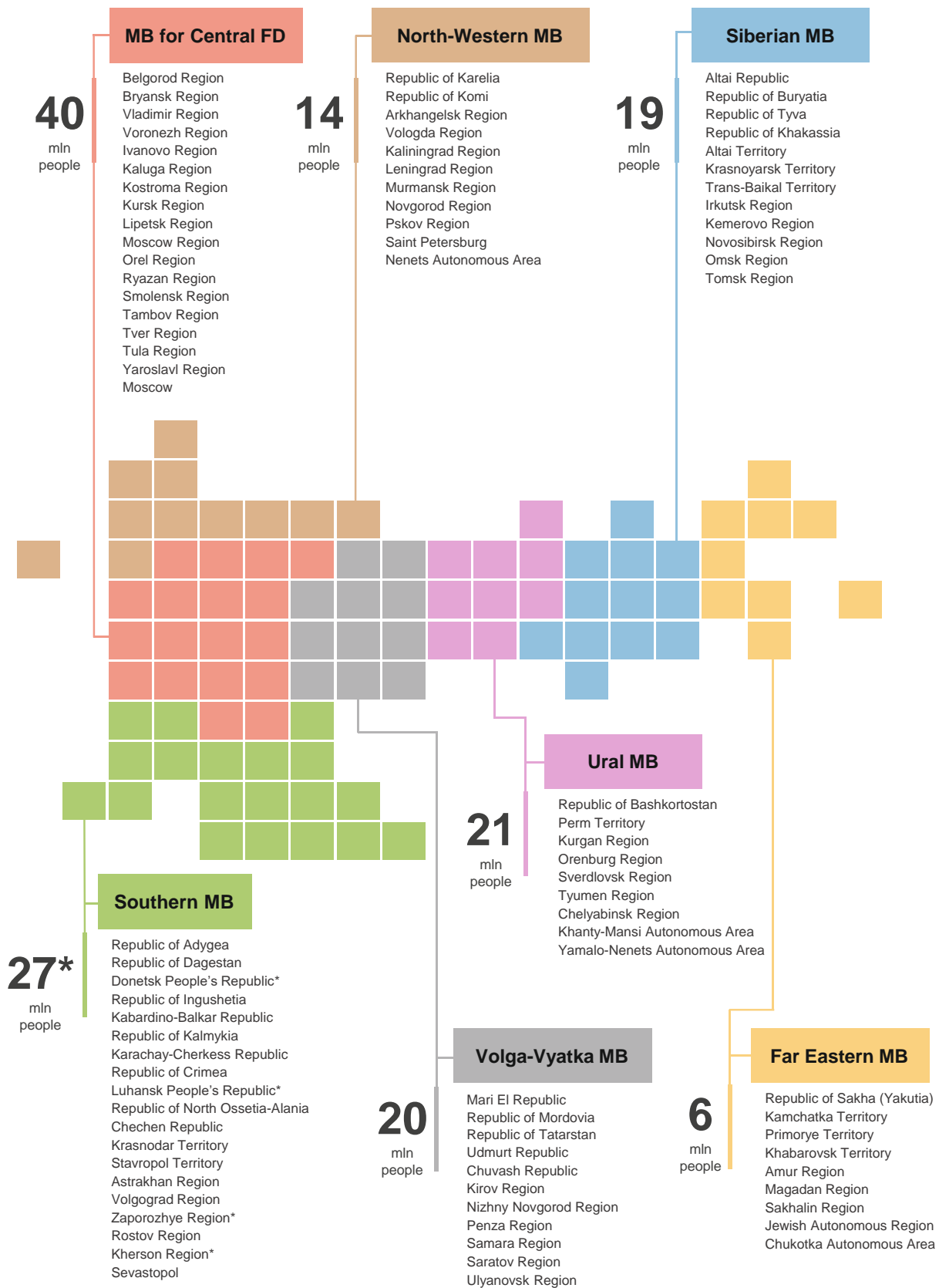
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* Excluding the regions where statistics are currently unavailable.

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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 nearly 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 February 2023, we surveyed 13,603 companies.

RUSSIAN FEDERATION

In January–February 2023, economic activity was rebounding. The monthly growth of consumer prices continued to speed up in January. Businesses' short-term price expectations declined, while remaining elevated. Import substitution projects were developing actively, although companies still faced some problems, specifically issues related to the manufacture of microelectronics and the availability of required components. After record-high disbursements at the end of 2022, the growth of mortgage lending slowed down. The segment of home building was supported by the development of individual housing construction.

Consumer activity was recovering from early 2023, although staying muted. The demand for services rose most significantly. In particular, sales in public catering in Siberia doubled year-on-year. In February, retailers and service companies became more optimistic about future demand. However, retailers still assessed their current sales as relatively low. For example, companies in the Stavropol Territory complained about declining purchases of household appliances.

Monthly growth (seasonally adjusted) in consumer prices sped up in January 2023. Nevertheless, price pressure was moderate in many product and service markets. The acceleration of monthly price growth was mostly fuelled by rising prices for fruit and vegetables. Households' inflation expectations edged up in February after declining during the three previous months. Businesses' short-term price expectations dropped, while staying elevated.

A number of industries demonstrated an increase in economic activity. As trade flows were redirected, cargo traffic in seaports expanded. Related industries are increasing their investment plans. Thus, shipbuilders in the Khabarovsk Territory are going to invest in new docks. There are new cargo transportation routes launched. Clothing manufacturers were taking the niches, that had become vacant after the exit of foreign companies, with their in-house trademarks (Central Russia). Businesses were commissioning production facilities for new Asian car brands (the North-West). Oil producers (the Urals) found new sales markets and thus managed to maintain their output. However, the situation with exports in oil production and in the coal and chemical industries remained challenging overall.

Import substitution continued to progress in early 2023. It helped Russian businesses adjust to the new environment and reduce their dependence on foreign goods (see the Box '*Restrictions on investment goods import and their impact on investment activity*'). Over a half of enterprises facing problems with the import of equipment managed to find domestic alternatives.

Record-high numbers of commissioned residential buildings, combined with lower demand for housing due to economic uncertainty, slowed down price growth in this market. More households started to opt for individual homes (see the Box '*Housing construction and its regional specifics in 2022–2023: challenges and prospects*').

Monetary conditions were neutral overall. In January 2023, businesses' credit activity remained high. After peaking to record highs in December 2022, the expansion of mortgage lending slowed down, including due to the increase in the interest rate on subsidised mortgage loans for new housing since the beginning of 2023.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Textile and clothing manufacturers were restoring their output by taking the niches that had become vacant after the exit of foreign companies from the Russian market. Pharmaceutical enterprises launched new fully integrated production facilities to manufacture the most important medicines. Extensive commissioning of greenhouse complexes ensured a record-high output of greenhouse vegetables. However, greenhouse vegetable producers are seeking ways to reduce costs, including by building their own power centres.

NORTH-WESTERN MAIN BRANCH. Manufacturers of paper and paper products continued the implementation of investment projects and were expanding the range of finished goods focused on the domestic market. The macro-region's auto industry demonstrated signs of a revival. Cargo traffic in North-Western seaports expanded in January, in annualised terms.

VOLGA-VYATKA MAIN BRANCH. As regards the labour market, the number of workers transferred to part-time employment schemes continued to go down. Chemical enterprises expected the domestic demand for their products to rise as the output of motor vehicles bounced back. Large refineries were seeking to ramp up the output of petrochemicals demanded in the domestic market amid import substitution. There were some difficulties with redirecting the export of some petrochemicals to the domestic market.

SOUTHERN MAIN BRANCH. Consumer activity remained muted. In January, cargo traffic in Southern seaports expanded by nearly a fourth in annualised terms, including as a result of their higher throughput capacity. Chemical enterprises and refineries continued the implementation of their investment projects, despite external restrictions.

URAL MAIN BRANCH. Consumer activity remained moderate. Growth in the domestic demand for metal products promoted the commissioning of new production facilities. Oil producers maintained their output at the level of late 2022. Dairy product manufacturers managed to tackle the problem of the substitution of required components, although complaining about a decline in profitability.

SIBERIAN MAIN BRANCH. The export of Siberian coal is still under the pressure of the Western sanctions and transportation restrictions, but its contraction decelerated. As non-ferrous metal companies managed to retain their sales markets, they were able to meet their output targets for 2022. Coal and metallurgical companies kept their investment plans for 2023 unchanged, although their implementation might be postponed (for several months to a year). Sales in public catering increased, driven by changes in the operation of this sector, including a growing number of fast food restaurants and the development of domestic tourism.

FAR EASTERN MAIN BRANCH. As container transportation in open wagons and longer container trains expanded, this made it possible to increase and accelerate cargo clearing from the macro-region's port stations. The imbalances between the flows of imported and exported goods in seaports reduced. As before, shipbuilders and ship repair yards reported a sufficient number of orders. Responding to the restrictions on the import of marine equipment and components, shipbuilders were launching the manufacture of alternatives.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB ²	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2023	100	34	11	12	14	13	11	5
Inflation	% YoY	Jan 23	11.8	12.4	11.9	12.2	11.7	10.7	12.0	11.8
Core inflation	% YoY	Jan 23	13.7	14.3	14.0	14.1	14.0	11.8	13.5	13.7
Industrial production	3MMA, % YoY	Jan 23	-2.9	-2.4	-2.9	0.6	6.4	-1.8	-2.6	-3.6
Fixed capital investment	Cumulative, % YoY	2022 Q3	5.9	1.2	-3.6	6.0	3.9	9.1	6.1	9.7
Construction	3MMA, % YoY	Jan 23	6.7	10.4	-12.6	5.8	1.9	-3.0	10.7	22.9
Housing commissioning	3MMA, % YoY	Jan 23	-11.4	-16.2	-5.5	-19.3	-3.6	-6.5	-21.0	7.2
Retail	3MMA, % YoY	Jan 23	-8.5	-12.4	-11.3	-3.3	-1.0	-5.6	-5.3	-3.3
Commercial services	3MMA, % YoY	Jan 23	2.5	2.8	4.4	1.1	3.0	0.9	4.1	-0.2
Real wages	3MMA, % YoY	2022 Q4	0.4	-2.0	0.7	0.9	0.8	4.1	2.4	-1.6
Real disposable income	% YoY	2022 Q3	-2.5	0.0	-6.6	-3.5	-2.0	-1.5	-2.5	-3.4
Unemployment	SA, %	Jan 23	3.6	2.9	3.1	3.0	5.9	2.9	4.2	3.3
Outstanding consumer loans ³	% YoY	Jan 23	2.3	2.7	1.4	1.2	2.9	1.4	3.4	3.4
Outstanding mortgage loans	% YoY	Jan 23	16.9	15.9	14.2	14.7	24.9	16.2	16.9	22.3
Funds in escrow accounts	% YoY	Jan 23	24.9	30.7	24.1	6.1	21.2	14.2	21.3	25.3
Non-financial organisations' outstanding bank loans	% YoY	Dec. 22	19.7	15.6	45.4	11.0	27.2	17.4	17.0	18.9
• Large borrowers	% YoY	Dec. 22	17.6	13.2	46.1	8.0	22.6	16.0	11.8	21.0
• SMEs	% YoY	Dec. 22	29.9	30.1	42.0	18.8	38.1	25.9	33.8	11.0
Companies' price expectations ⁴ of responses, SA	Balance	Feb 23	16.1	18.7	17.8	22.3	14.4	16.1	18.5	15.7
Business Climate Index	pp YoY	Feb 23	0.2	-1.3	-4.0	2.7	0.7	-0.5	2.4	-0.5
• Current estimates	pp YoY	Feb 23	1.6	0.6	-3.0	3.0	7.2	-2.5	1.8	-3.6
• Expectations	pp YoY	Feb 23	-1.6	-3.5	-5.1	2.3	-7.1	1.9	3.1	3.3

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

² Excluding the regions where statistics are currently unavailable.

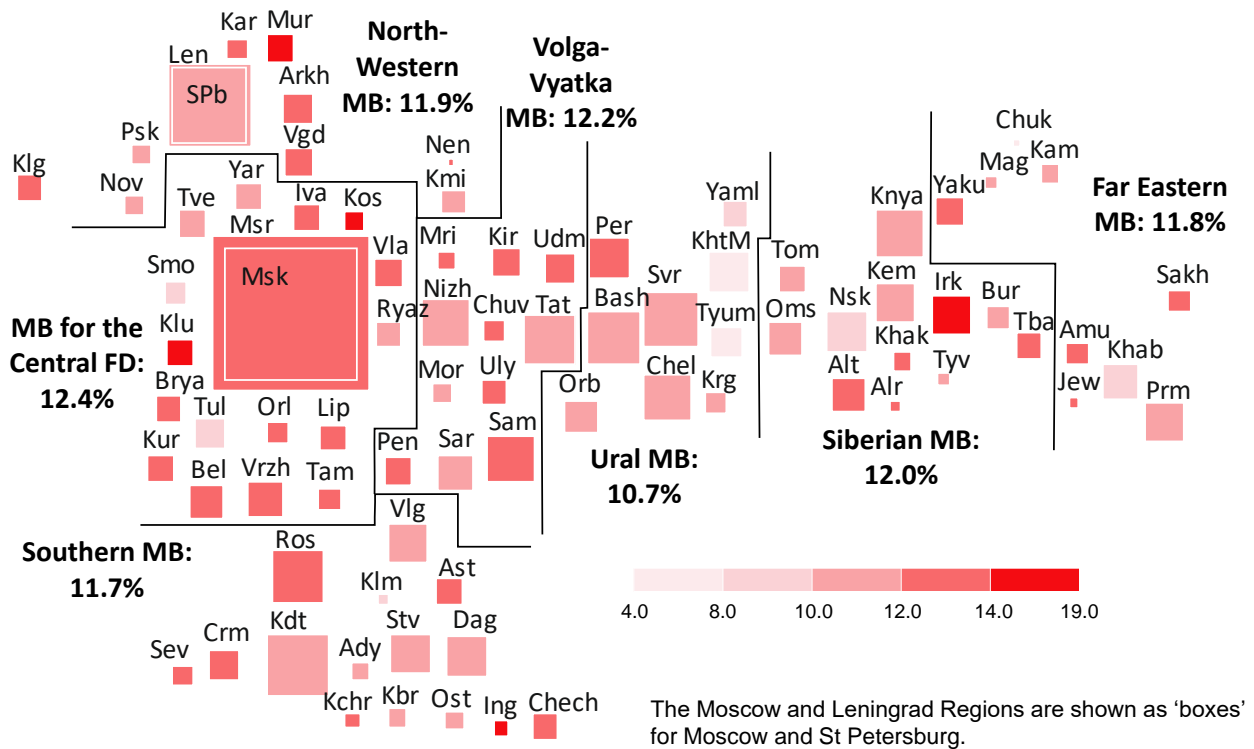
³ Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by resident borrowers' location.

⁴ 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 January 2023, % year-on-year

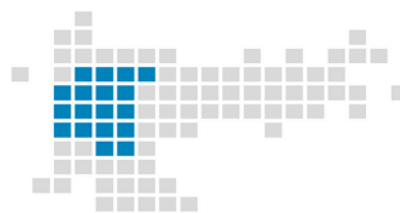
The sizes of the regions' signs correspond to their percentages in the Russian CPI.



Note: the lines on the map divide the regions of operation of the Bank of Russia MBs.
 Inflation rates for the new Russian regions are currently not calculated yet.
 Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



Consumer activity in the macro-region rose in January–February. Consumer price growth sped up in January, month-on-month, fuelled by higher prices for certain fruit and vegetables and a number of services. Greenhouse vegetable producers are commissioning new greenhouse complexes and upgrading the existing ones, as well as taking measures to reduce future costs. Pharmaceutical companies are also launching new production facilities and proceed with the deployment of the technology of fully integrated production in Russia. Textile enterprises continue taking the vacant niches with their in-house brands. The decrease in businesses' price expectations decelerated.

CONSUMPTION AND INCOMES. In January–February 2023, consumer activity was higher than in December 2022. The percentage of consumers who were seeking to cut spending on food, everyday goods, clothing, and footwear edged down. That was partially associated with the opening of domestic stores, instead of foreign companies that had exited the Russian market, offering local brands of apparel, accessories, footwear, perfumes, and household goods at attractive prices. A number of regions are carrying out campaigns to promote regional manufacturers' goods to federal and regional trade networks. Consumers demonstrated elevated demand for a broader range of products that could be purchased at the largest marketplaces. The Moscow Region was one of the most popular destinations for travel during the February holidays. Nearly 90% of the total number of rooms in Moscow Region hotels were booked. Trade companies in the macro-region became more optimistic about future demand.

PRICES. In January, monthly growth (seasonally adjusted) in consumer prices sped up in the macro-region. The most considerable increase in prices was recorded for domestic and overseas tourism services, public transport (due to a more significant tariff indexation than a year before), and certain fruit and vegetables as their supply shrank. Food prices (excluding fruit and vegetable prices) declined on average, which was associated with a good grain harvest in 2022. According to Rosstat's weekly statistics, price growth persisted in February primarily due to fruit and vegetables and hotel services. Companies in Central Russia continued to lower their price expectations in February, although more slowly than in the previous month. The decrease in price expectations was mostly associated with a slower rise in costs and current demand-side constraints.

MONETARY CONDITIONS AND BANKING SECTOR. In December, corporate lending continued to expand quickly. As reported by credit institutions, in 2022 Q4, they kept bank lending conditions unchanged for large companies and eased them for small and medium-sized enterprises (SMEs). A number of banks increased the amount of a loan for certain products and expanded the range of lending segments. The growth of the retail loan portfolio slowed down in January. There were signs of cooling in the new home loan market owing to the increase in the interest rate under the government subsidised mortgage lending programme beginning on 1 January 2023. Contrastingly, the demand for existing housing in Moscow stayed relatively high for January. The relaunch of the

government subsidised programme supported car lending. As returns on deposits remained close to December levels, this ensured the demand for time deposits.

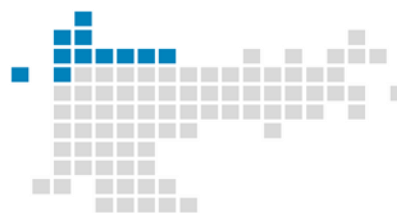
TEXTILES AND CLOTHING. After a slump in output in June–September 2022, textile enterprises of the macro-region almost restored their output by the end of the year to the level of December 2021 by ramping up the production of nonwovens, including those used for medical purposes, personal protection and hygiene. Clothing enterprises multiplied their output over 2022. Receiving government support, Moscow clothing manufacturers continue taking the niches that had become vacant after the exit of foreign companies, launching their in-house apparel brands. As before, textile and clothing manufacturers are supported thanks to state orders. In February 2023, the Ivanovo Region commissioned a large logistics centre presenting products of approximately 250 local sellers already now.

MEDICAL GOODS AND PHARMACEUTICALS. Russian companies continue the deployment of the technology for fully integrated production of strategically important medicines. Specifically, in January, the special economic zone in Moscow launched the first production line at a new pharmaceutical plant. In 2023–2024, it is expected to start the manufacture of over 300 medicines, many of which have never been produced before in Russia. In the next few years, the Yaroslavl Region will launch the production of substances of antibiotics and heparin. The macro-region is developing the manufacture of medical goods, dressing materials, and equipment. In 2022, over a hundred of Moscow enterprises ramped up their output of medical equipment by more than a third. The output of pharmaceuticals and medical goods in Moscow is supported by the mechanism of offset contracts, under which the local government guarantees purchases of produced goods during several years.

GREENHOUSE VEGETABLES. Central Russia produces over a third of greenhouse vegetables in the country. The Lipetsk and Moscow Regions account for a half of the macro-region's harvest. According to preliminary estimates, the harvest of greenhouse vegetables hit record highs in 2022, which was the result of the commissioning of new greenhouse complexes in the Voronezh, Moscow and Tula Regions and the upgrade of a complex in the Tambov Region. The Voronezh, Orel and Tula Regions are implementing a number of large projects to be completed in 2023–2025. Market participants expect a decline in investment activity further on, after the active launch of new greenhouse complexes over the past few years.

However, more expensive energy resources, logistics and agricultural chemicals increased production costs. Enterprises are taking measures to cut their costs. In particular, a large company of the macro-region is constructing its own energy centre. Greenhouse complexes in the Lipetsk, Orel and Smolensk Regions are testing the use of domestic seeds and bumblebees for pollination.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



As in December, consumer activity in the macro-region in January–February remained below last year’s figures. The paper and paper products industry expanded the range of manufactured goods and continued the implementation of investment projects. The macro-region’s auto industry recorded signs of a revival. Cargo traffic in North-Western seaports edged up, which was driven by an increase in liquid cargo transshipment.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region remained muted in January–February. Nevertheless, in February, consumers slightly increased their spending on certain services (air flights and restaurants), while clothing and footwear sales trended upwards. Sellers of household appliances continue to substitute the product range for Asian brands. However, as reported by a regional branch of a countrywide chain selling household appliances and electronic devices, consumers are still cautious about new manufacturers. Food retailers continue to adjust to changes in consumer preferences. A large North-Western supermarket chain plans to switch to a low-price format in a part of its stores. According to the Bank of Russia’s survey, the service, public catering and hotel sectors recorded a slight rise in demand in February and expect it to grow further. The hospitality industry in the Kaliningrad Region is optimistic about future trends because of higher sales of air tickets for travel to the region in summer, among other factors. Besides, hotels and restaurants in Saint Petersburg, recording a surge in the tourist flow recently, complain about staff shortages, which is pushing up wages in this sector.

PRICES. Annual inflation in the North-West remained unchanged at 11.9% in January, as compared to December. Monthly price growth (seasonally adjusted) sped up predominantly due to a faster rise in fruit and vegetable prices, fuelled, in particular, by the ruble weakening and higher greenhouse heating costs. The growth rates of fruit and vegetable prices remained elevated in the first half of February as well. Conversely, prices for a number of non-food goods (sawn lumber, TV sets, and vacuum cleaners) continued to decline, according to February statistics. Some agricultural enterprises in the North-West decreased prices for their products (meat products, eggs, and fish), which was associated with expanded supply and subdued demand, among other things. Companies of the macro-region lowered their price expectations in February, just as the month before.

MONETARY CONDITIONS AND BANKING SECTOR. According to the survey of the macro-region’s credit institutions, lending conditions for large businesses remained unchanged and were eased for SMEs at the end of last year. Banks in the macro-region were actively expanding their corporate loan portfolio. At the end of the year, the main contributor to its increase was a rise in Saint Petersburg manufacturers’ outstanding loans. As before, corporate lending was supported by subsidised loans granted for import substitution, among other purposes. After soaring in December 2022, the demand for mortgage loans slowed down in January. Within subsidised lending programmes, borrowers’ demand somewhat shifted from subsidised new housing mortgage loans to the Family Mortgage programme as the conditions of the latter were expanded from the beginning of 2023.

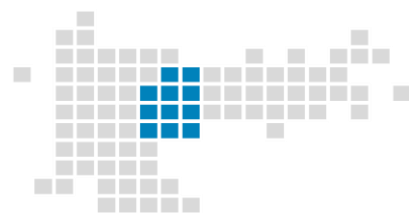
MANUFACTURE OF PAPER AND PAPER PRODUCTS. After a number of destinations for exports had been closed, enterprises of the industry redirected their products to the domestic market. Amid higher demand for environmentally friendly materials, a Karelian company developed a new type of packaging for mortar mixes and other dry bulk materials that is treated and recycled without any damage to the environment. A pilot production line is planned to be commissioned in 2023 Q1. At the beginning of the year, a company in the Komi Republic expanded the range of its products: in January, it launched the manufacture of several types of printer paper and colour printing paper, which will make it possible to substitute foreign printer paper no longer imported to the market. Companies in the industry continue the implementation of their investment projects. In particular, a plant in the Novgorod Region is accomplishing the construction of a line for manufacturing paper for corrugated fibreboard. A Kaliningrad enterprise upgraded its line producing cardboard for food packaging, which significantly boosted the company's output and reduced its costs.

AUTO MARKET. The structure of the auto market continues to change. In January, sales of used cars in some regions of the North-West exceeded last year's figures, whereas sales of new cars remained lower. The proportion of domestic and new Asian brands increased: thus, in January, new Asian brands accounted for 60% of new motor vehicles in the Saint Petersburg market. The macro-region's auto industry recorded signs of a revival. An automobile plant in the Kaliningrad Region commissioned the production of vehicles of a new Asian brand, with its sales to start in March. By the end of the year, the plant is going to expand the model range of this brand, gradually localising the production and to launch the manufacture of vehicles of several other new Asian brands. Another automobile plant in Saint Petersburg plans to launch the manufacture of domestic brand vehicles in May and a fully integrated production of three models by the end of 2023. In addition, an enterprise in the Pskov Region is going to launch an all-terrain vehicle assembly line this year.

LOGISTICS. In January, cargo traffic in North-Western seaports edged up slightly in annualised terms, which was driven by an increase in liquid cargo transshipment. The main contributor was the expanded export of crude and petroleum products owing to higher demand from Asia. However, although cargo handling in terminals generally declined, the export of Russian coal through North-Western seaports surged by 33%, compared to January 2022, which was associated with high utilisation rates in Far Eastern seaports, among other reasons. The redirection of logistics also increased the utilisation of rail infrastructure. As the carrying capacity of some railway sections was insufficient, this reduced exports and forced companies to decrease their output targets. Specifically, an enterprise in the Vologda Region reported a reduction in the output of finished goods as it faced difficulties with their rail transportation to Black Sea ports. Nevertheless, a mineral fertiliser manufacturer in the Novgorod Region purchased domestically-produced innovative rail tanks to cut cargo transportation costs and enhance the efficiency of raw materials transportation.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



In January–February, consumer activity was changing diversely, while remaining moderate in the segment of durables. Part-time employment schemes were used less frequently in industries hardest hit by the tightening of the sanctions. Business activity remained high overall, although the opportunities to maintain current output in certain industries are largely limited.

CONSUMPTION AND INCOMES. Consumer activity rose in January, but businesses' estimates became more moderate in February. Surveyed retailers complained about a decline in sales, compared to the previous month. Lower demand was most often reported by sellers of household appliances and electronic devices, as well as home improvement goods. Besides, there was a decrease in shopping mall traffic. The substitution of lessees in shopping malls after the exit of foreign brand stores progresses slowly. In addition to households' high propensity to save and lower incomes, sales were still contained by a reduced range of durables (cars, electronic devices, clothing, and footwear). According to businesses, car sales stayed at the level of the end of last year. A car showroom noted that customers were ready to purchase cars in neighbouring regions if the latter offered discounts. The demand for cars of new Asian brands was rising fast. Public catering companies and hotels complained about a decline in the number of guests. Nevertheless, businesses stay optimistic as the potential for tourism growth in regions is developing and there are countrywide festivals to be held.

PRICES. Annual inflation slowed down in January, although monthly price growth (seasonally adjusted) was up. This acceleration in January was largely fuelled by volatile prices for vegetables and foreign tourism services or one-off factors (higher railway tariffs). Besides, prices for electronic devices rose for the first time since last April. Surveyed enterprises complained about a stronger negative effect of exchange rate movements on their operation. Retailers increased their price expectations in February.

LABOUR MARKET. The number of workers under part-time employment schemes continued to go down in February. Specifically, an agricultural machinery manufacturer in the Penza Region managed to find new suppliers of raw materials, as a result of which the company abandoned its part-time employment scheme earlier than planned. As before, considerable percentages of workers under part-time employment schemes were recorded in the automobile and related industries. However, as the output of motor vehicles bounces back, enterprises are expected to return gradually to their normal operation regime. Thus, a manufacturer of components for a macro-region's auto group is to cancel the downtime regime for a part of its staff beginning from March.

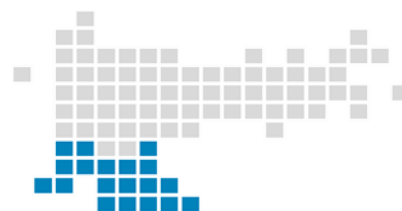
MONETARY CONDITIONS AND BANKING SECTOR. Annual growth in the corporate loan portfolio decelerated in December as lending conditions for companies worsened somewhat, which was confirmed by the findings of the Bank of Russia's monitoring of businesses. According to surveys, lending conditions improved slightly in February, while staying tighter than at the end of last year.

Average interest rates on consumer loans adjusted downwards in January, after rising a little in December. Monthly debt growth sped up. Mortgage rates increased in January to the maximum since February 2022. The expansion of mortgage lending slowed down. In particular, the amounts of subsidised loans for new housing declined, after peaking in December.

CHEMICAL INDUSTRY. In January–February, the industry demonstrated diverse trends. On the one hand, some manufacturing segments focusing on the domestic market enjoyed a revival in demand. Companies started to ramp up their output as their clients in the automobile industry increased the demand, which was associated with, among other things, the need for import substitution. A number of chemical enterprises were hiring new employees. Contrastingly, a large manufacturer in the industry was experiencing temporary technological difficulties with maintaining its current output. Nevertheless, this did not affect its capacities to meet the demand using the available stocks of finished goods. Nor did it change the company’s plans to build up output in the next few months by commissioning new production lines. A large ammonia and mineral fertiliser manufacturer faced a decline in its output, compared to the period before February 2022, which was due to the redirection of exports in the changed environment, among other reasons. In recent months, the enterprise continued to expand its capacities for transporting finished goods by road and rail instead of pipelines.

OIL REFINING. In January–February, the situation in the industry was highly uncertain as it was unable to export its products to the usual sales markets. Some companies in the macro-region, primarily suppliers of heavy petroleum products, were experiencing difficulties with redirecting their products, that had been previously exported to Europe, to the domestic market as the demand for these fuels was limited. Moreover, enterprises might find it difficult to redirect exports to new markets because the throughput capacity of Eastern and Southern transportation and logistics infrastructure is insufficient. Amid the challenging conditions in external markets, companies were adjusting to the needs of domestic clients. Specifically, at the end of 2022, a large refinery commissioned a complex for the conversion of crude oil to chemicals and other products demanded because of extensive import substitution.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Growth in consumer activity in the South edged down slightly in February. Chemical enterprises continued to adjust to the changed environment, although some sectors (manufacturers of perfumes and cosmetics, colouring agents and pigments) still faced difficulties. Refineries continued the implementation of large investment projects. Cargo traffic in seaports was up, driven by an increase in their throughput capacity and the upgrade of infrastructure. Businesses in nearly all industries, except agriculture and services, lowered their price expectations in February.

CONSUMPTION AND INCOMES. According to high-frequency indicators, after a slight revival in January, consumer activity declined again in February. Consumers opted for low- and medium-price items. Some retail chains managed to increase sales of their in-house trademarks. Household appliances retailers in the Stavropol Territory complained about a 20–30% slump in the demand for TV sets, laptops, and smartphones, as compared to early January, whereas, in the past, sales of these goods used to rise on the eve of the February holidays. Due to staff shortages, a number of industries continued to increase wages. In particular, amid growth in orders, a plastic product manufacturer in the Republic of Crimea is searching for highly qualified specialists offering higher wages than the average in the industry.

PRICES. In January, annual inflation in the South remained almost unchanged month-on-month, namely at 11.7%. Price growth sped up in commercial services, predominantly fuelled by higher prices for passenger transportation amid the indexation of tariffs for second-class sleeping cars in long-distance trains and an increase in the tourist flow. The number of passengers in the largest airport in the North Caucasus surged by a fourth in January 2023, year-on-year. Contrastingly, non-food price growth slowed down notably, which was associated with subdued consumer activity and lower costs in some industries. Specifically, a household chemical manufacturer in the Republic of Adygeya substituted European suppliers of raw materials for Asian ones, thus reducing input prices by over a third. Companies' price expectations went down across a wide range of industries in February. However, they increased in agriculture (due to the expected expansion of exports) and services (because of the pass-through of higher costs for raw materials to prices and rising demand for repairs of cars amid a shortage of supply of new cars in showrooms).

MONETARY CONDITIONS AND BANKING SECTOR. As reported by banks, after high credit activity at the end of last year, the demand for both corporate and retail loans contracted in January–February. Corporate lending was mostly supported by the demand from wholesale and retail companies and the manufacturing industry. Some banks improved non-price lending conditions for SMEs. The number and amount of housing mortgage loans issued by banks in December rose to the highest on record, and the number of transactions in the primary market was 1.5 times higher than over the same period in 2021. According to recent data, retail lending growth slowed down somewhat in January–February 2023, whereas banks expect borrowers' demand to rise in March,

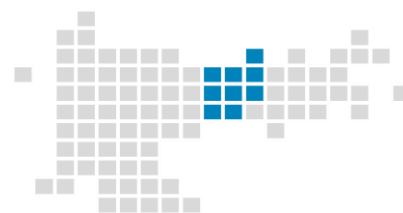
including for subsidised loans. The number of subsidised lending programmes is increasing. Thus, in January 2023, the Rostov Region launched a subsidised mortgage lending programme for graduates with honours. In January, the balance of households' funds decreased only in current accounts, while time deposits continued to trend upwards. In particular, credit institutions noted a rise in the demand for long-term deposits, driven by higher interest rates.

LOGISTICS. As before, supplies through Southern seaports expanded because of the redirection of trade flows. Specifically, cargo traffic at the seaports in the Azov and Black Sea basin surged by 23% in January, year-on-year. After the upgrade of its equipment, a bulk cargo terminal in the Krasnodar Territory doubled its cargo handling capacity that exceeded 2,000 rail cars a day. According to estimates, cargo traffic through international transport corridors in the Azov and Black Sea basin might expand by nearly a fourth this year as a result of the improved throughput capacity of border terminals. Cargo traffic at the seaports in the Caspian basin edged up by 2% in January, year-on-year. The Astrakhan Region is constructing grain and vegetable oil terminals in the special economic zone in the seaport. In addition, the Southern macro-region is implementing about twenty large warehouse projects, most of which are close to completion.

CHEMICAL INDUSTRY. Companies continue to adjust to the changed environment, although some sectors are still experiencing difficulties. Due to the external restrictions, the largest Southern perfume and cosmetics manufacturer discontinued exports to Europe in 2022 H1, following which its output plunged by a third. After foreign partners had refused to supply raw materials, a Crimean manufacturer of colouring agents and pigments was unable to fully cover its needs for raw materials required for manufacturing its main products, due to which the utilisation rate of its capacities plummeted by about 50%. This year, the enterprise plans to ramp up the output of related products (iron sulphate) and commission a shop producing mineral fertilisers, which will help it reduce downtime expenses and costs per ton of products manufactured. By the end of 2023 Q2, the Rostov Region is going to launch a polyester fibre production facility that will be the only one in the country. Two large federal-level companies planned to establish a cluster for manufacturing nitrogen fertilisers in the Stavropol Territory.

OIL REFINING. The Southern macro-region reported a decline in oil refining as of the end of 2022, which was due to difficulties with the export of products amid the sanctions. Considering the difficulties with the export of petroleum products, enterprises were seeking to prevent tanker overfilling and forced shutdowns. Nevertheless, companies proceed with the upgrade of their own production facilities, maintaining the competitiveness of their petroleum products in the global market. In particular, a refinery in the Volgograd Region completed a project for the reconstruction of a primary oil refining unit, which will help ramp up the output of kerosene and diesel fractions. A refinery in the Krasnodar Territory continued the implementation of an investment project for secondary refining of raw hydrocarbons and producing motor petrols.

BANK OF RUSSIA URAL MAIN BRANCH



After reviving slightly in January, consumer activity in the Urals declined in February. Households' and businesses' credit activity was up. Growth in the domestic demand for metal products promoted the commissioning of new production facilities. Oil producers maintained their output at the level of late 2022. Dairy product manufacturers successfully tackled the problem of the substitution of imported components, although complaining about a decline in profitability.

CONSUMPTION AND INCOMES. Overall, consumer activity in most regions of the Urals remained muted in January–February. As estimated by retail chains, household expenses for non-food goods decreased, compared to December 2022, whereas those for everyday goods remained almost unchanged. Retailers were carrying out promotional campaigns to attract target consumer groups and, in some cases, extended seasonal offerings to restore consumer activity. Shopping malls reported moderate revenue growth, mostly driven by higher prices. After rising in January, the demand for air tickets, travels, and cinemas declined somewhat in February. A slight increase in demand is expected by sellers of construction and finishing materials, furniture, and household appliances to fit out the homes that households were actively acquiring at the end of the previous year. Imbalances in the labour market are becoming increasingly more notable. Specifically, according to HeadHunter, the number of active CVs is declining, whereas the number of job vacancies continues to go up. The need for specialists in international logistics, the start of production and equipment maintenance increased considerably.

PRICES. Annual inflation in the Urals decelerated to 10.7% in January. The decline in annual price growth was largely associated with the slow recovery of demand in the auto market as the structure of supply there had altered notably. However, the annualised rates of monthly inflation (seasonally adjusted) edged up in January, predominantly fuelled by higher fruit and vegetable prices. In February, businesses in the Urals lowered their price expectations in most industries, except agriculture where companies expect the demand for their products to rise somewhat in the next few months.

MONETARY CONDITIONS AND BANKING SECTOR. According to the recent surveys of banks, companies' credit activity was rising moderately in February. In January, a Chelyabinsk Region enterprise became the first one in the Urals to receive a subsidised loan under the government programme Industrial Mortgage for setting up a metal processing facility. Companies in machine building, energy production, transportation and logistics were also increasing their borrowings. Growth in interest rates on retail loans issued in January was mostly associated with the changed conditions under the subsidised new housing mortgage programme. Recent statistics show that there were no significant changes in lending conditions for individuals in February.

METALLURGY AND METAL PROCESSING. The expansion of the demand for metal products in the domestic market was mostly driven by road construction and large infrastructure projects. As a result, certain manufacturers were able to ramp up the output of cast iron and steel and the output of steel pipes. Regional metallurgical enterprises complained about increased overhaul costs

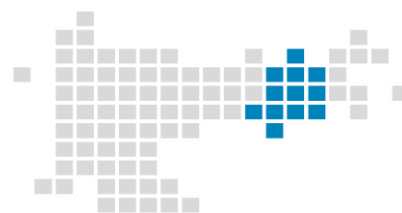
and longer deliveries of industrial equipment. Nevertheless, the Chelyabinsk Region commissioned a fully integrated metallurgical plant in February. A fittings plant in the Republic of Bashkortostan launched a new cast iron induction furnace. A metallurgical plant in the Perm Territory is building a new production line to be commissioned as early as the second half of the year. As a result, the enterprise will be able to double or triple its output of pure magnesium. A Tyumen manufacturer of barrier fences, lighting poles and noise walls for highway construction is going to complete the construction of a powder coating booth and commission a new production shop. The largest Ural manufacturer of metal structures reached full capacity utilisation in January–February owing to a large number of orders for components required for the erection of bridges, including the bridge across the Volga River in the Republic of Tatarstan.

OIL AND GAS PRODUCTION. In January–February 2023, large oil producers generally managed to maintain their output at the level of December 2022. According to the enterprises, the level of risks related to changes in logistics and insurance remained almost the same as in December. However, the enactment of the sanctions on supplies of petroleum products might reduce their export from Russia, partly due to a shortage of special-purpose sea tankers. Gas production in January 2023 remained at the level of November–December 2022, and companies continue the work aimed at redirecting exports from the West to the East. The export of liquefied natural gas slightly contracted overall as the demand for it in the external market declined, which was associated with its lower consumption in Europe amid the abnormally warm weather.

MANUFACTURE OF DAIRY PRODUCTS. Based on data about the commissioning of new production lines, market experts expect raw milk production to expand in 2023. Specifically, the Orenburg Region launched a new milk factory in December 2022 and plans to commission two more by the end of this year. A milk factory in the same region is going to start manufacturing dairy products already this spring and is now installing equipment. However, the majority of surveyed milk market participants complained about lower profitability of the manufacture of dairy products as consumers' preferences shifted towards low value-added dairy products. To address the current problems with the availability of imported ingredients, namely fermentation starters, processing enterprises have changed their supply schemes, are using parallel imports and expanding their inventories as far as this is technologically reasonable. Some companies in the Urals, specifically fermented milk products manufacturers in the Chelyabinsk Region, have switched almost completely to domestic components. An enterprise in the Kurgan Region has its in-house production of kefir grains that are the basis for fermentation starters. A company in the Orenburg Region that mastered the manufacture of dry starters five years ago is ready to ramp up their output at its production lines several times.

BANK OF RUSSIA SIBERIAN

MAIN BRANCH



In January–February 2023, economic trends remained diverse across Siberian industries. Consumer activity stayed moderate overall. Public catering demonstrated an upward trend, driven by the development of the low-price segment and an increase in the tourist flow. Coal and metallurgical enterprises reported stable demand for their products from Asia, yet assumed a contraction of output due to the sanctions and logistics bottlenecks.

CONSUMPTION AND INCOMES. In January–February 2023, consumer activity slightly revived in services and public catering. Despite multiple promotional campaigns in retail, consumers still opted for low-price food and everyday goods. Consequently, trade companies worsened their estimates of current demand in February. Nonetheless, they remained optimistic about short-term demand trends, expecting the realisation of pent-up demand amid the indexation of wages, pensions, and social benefits. According to recruiting agencies, the number of job vacancies in the Siberian labour market increased. Construction companies expected the situation with personnel to improve, including as a result of hiring foreign workers.

PRICES. Annual inflation slowed down in January 2023, compared to December 2022, reaching 12.0%. The main factors were moderate consumer activity and expanded product supply, partly through the development of parallel imports. The good grain harvest of 2022 and, accordingly, lower costs for animal feeds caused a deceleration of the annual increase in prices for meat and meat products, milk and dairy products, flour, pastas, and pastry products. As to non-food goods, growth in prices for durables, namely cars, furniture and household appliances, continued to slow down. A slower rise in prices for services was associated with a decrease in air fares. In January, a large Siberian airline carried out large-scale sales of air tickets in order to maintain the passenger flow.

MONETARY CONDITIONS AND BANKING SECTOR. Businesses continued to demonstrate steady demand for bank loans in January–February. The demand for consumer loans stayed stable at the beginning of the year, but the number of banks' refusals was up. Borrowers increased the demand for subsidised mortgage lending under the Family Mortgage programme (after the change in its terms). Households still preferred to save, increasing their funds in time deposits, despite a decline in deposit rates associated with the end of seasonal offerings, among other things.

COAL MINING. In January–February 2023, coal exporters in Siberia continued to face difficulties, which dragged down their output and sales. Coal producers believe that, currently, the main negative factor for their business is logistics bottlenecks affecting rail transportation of coal to the East, rather than the embargo on exports to Europe. Most companies have managed to find new foreign buyers and agree upon supplies. As before, they offered high-energy coal with a discount, maintaining consumers' demand for their product. However, Siberian producers do not have the opportunity to export sufficient volumes of their products along the best routes, that is, through Far Eastern seaports. They are forced to use Western seaports even for supplies to Asia. Due to such logistics, they incur higher costs, but are able to maintain utilisation rates of their production capacities, avoid

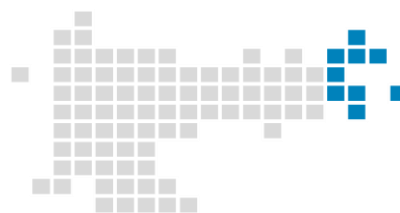
staff reductions, and retain sales markets. Consequently, the annual decline in coal exports in Kuzbass slowed down to 4.6% in January (after the 18% slump in September 2022 when the foreign sanctions had been sharply tightened). Coal stocks at Kuzbass companies' warehouses contracted by 7% in January, for the first time after the eleven months of their expansion. Currently, only large companies announce their 2023 targets, but even they are cautious in their estimates. According to a large thermal and metallurgical coal producer, future growth in output will be driven primarily by metallurgical coal types as there is stable demand for them from Asia. This enterprise plans to implement an unprecedented large-scale programme in 2023, increasing investment in the expansion of production and mining machinery.

NON-FERROUS METALLURGY. In January–February 2023, Siberian industrial metal enterprises reported that they had been able to meet their output targets for 2022, ramping up the output of the main industrial metals. Nevertheless, the sanctions do affect their operation. Thus, metal companies developed and launched new delivery routes. However, more complicated logistics and the refocusing on new sales markets took more time, which dragged down their sales, with finished products accumulating at the warehouses. In these conditions, Siberian metal enterprises plan to slightly reduce the output of the main industrial metals in 2023. Nonetheless, companies renewed their contracts with most clients, including major ones. Producers are redirecting their product volumes to Asia and, partly, to the domestic market. Their plans for 2023 provide for an increase in investment. However, the implementation of their projects might be postponed due to the need for redesigning and searching for new equipment as Western companies currently refuse to supply it.

PUBLIC CATERING. In 2022, growth in public catering in Siberia was nearly two times faster than across Russia in general. The development of the segment was driven by fast food restaurants frequently using franchises. These restaurants created additional demand for manpower. Specifically, over the three years, the number of pizza maker jobs in Krasnoyarsk and Novosibirsk surged 12 and 4.2 times, respectively. Expensive restaurants, facing a decline in the number of visitors, carried out rebranding by shifting towards cheaper items on their menus. Food delivery is one of the fastest-growing segments in the Siberian e-commerce market. Its local turnover doubled over the nine months of 2022. Domestic tourism is boosting the development of medium-price café and restaurant chains, including those focusing on Siberian and national cuisine dishes. Thus, a panoramic view restaurant with the area of 3,000 square metres is being constructed at a ski resort in the Altai Republic. Record-high numbers of guests in Baikal hotels, health resorts and tourist centres also support an upward trend in cafés and restaurants in the Republic of Buryatia and the Irkutsk Region.

BANK OF RUSSIA FAR EASTERN

MAIN BRANCH



Consumer activity in the macro-region was recovering in February, while staying subdued. Businesses' price expectations lowered. Cargo traffic at seaports and border terminals continued to increase. The imbalances between the flows of imported and exported goods reduced. Capacity utilisation rates of shipbuilders and ship repair yards remained high. Due to difficulties with the import of components, some companies launched the production of alternatives.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region was bouncing back slightly in February, but demand in most regions remained muted. Households in a number of regions still preferred discounters that carried out promotional campaigns for certain products. Retailers reported moderate demand for new brands of household chemicals and hygiene items that substituted foreign trademarks after their exit from the Russian market. According to food retailers in the Kamchatka and Primorye Territories, sales growth was unusually high in January, after a relatively low level of purchases in December. A public catering company in the Jewish Autonomous Region had to close two cafés in January due to lower demand. In contrast, a representative of restaurant business in the Khabarovsk Territory noted a higher number of visitors in February, as compared to the previous month. In February, companies in retail and services improved their expectations about demand in the short term. According to the survey, over two-thirds of companies in the macro-region are going to raise wages in 2023.

PRICES. Monthly price growth (seasonally adjusted) sped up slightly in January, which was associated with the rebound of the demand for some services, a rise in producers' and suppliers' costs, and the ruble weakening. However, moderate demand constrained the increase in prices for a number of non-food goods, namely clothing and footwear, furniture, and household appliances. According to weekly statistics, in February, price growth decelerated. Companies in all main industries lowered their price expectations in February as the demand and costs for fuels and lubricants declined.

MONETARY CONDITIONS AND BANKING SECTOR. The growth rate of corporate lending edged up in December 2022, driven by large loans issued to mining and quarrying enterprises for investment purposes. As reported by credit institutions, businesses' credit activity remained high in January–February, and the demand for retail loans exceeded the level of the previous year mostly because of mortgage lending. A regional credit institution recorded a rise in the demand for individual housing construction (IHC) under both federal government subsidised programmes and individual loan programmes allowing the purchase of a land plot. According to credit institutions, persons receiving maternity capital slightly increased the demand for mortgage loans in February, following the indexation of its amount. Growth in consumer lending remained moderate in January due to low demand and the macroprudential limits on unsecured loans introduced at the beginning of the year. Households' balances in bank accounts remained almost unchanged in January–mid-February.

Recent statistics show that a number of banks slightly raised interest rates on long-term deposits in February.

LOGISTICS. Cargo traffic in Far Eastern seaports expanded slightly in January, month-on-month, which was the result of the measures taken in late 2022 to remove containers from port stations. The number of longer container trains dispatched in early February hit a record high, and container transportation in open wagons increased by nearly a fourth, as compared to January. The imbalances between the flows of imported and exported goods reduced. As compared to November, the waiting period of ships in the harbour decreased from ten to five days in early February, and cargo deliveries from China to Moscow through the seaport of Vladivostok became two times faster. Liquid cargo transshipment increased in January, while staying below the level of last year due to insufficient terminal capacities and the prioritising of high value-added container cargoes. In January, cargo transportation through rail and motor vehicle border crossings surged by over a fourth and nearly fivefold, respectively, in annualised terms. Moreover, throughput capacities of the operating crossings are insufficient considering the level of the demand for transportation, which had an adverse effect on cargo delivery periods.

LOGGING AND WOOD PROCESSING. Wood processing enterprises in the macro-region reported stable demand for sawn lumber from some Asian countries in January–February. In addition, they noted that export prices stayed low. A large company in the Khabarovsk Territory resumed logging after a long downtime and announced its plans to increase the utilisation rate of its production capacities and the export of veneers and plywood, expecting export prices for them to rise. However, due to the restrictions on the export of roundwood, enterprises complained about its excess stocks. Wood processing enterprises still faced problems with the import of equipment and original spare parts and components for machinery repairs from unfriendly states. Moreover, they faced a considerable increase in delivery periods and supply costs when using parallel import schemes.

SHIPBUILDING AND SHIP REPAIR. Shipbuilders and ship repair yards in the macro-region maintained high capacity utilisation rates in January–February as they had a sufficient number of orders for the domestic market for several years ahead. A shipbuilder in the Khabarovsk Territory announced its plans to construct new docks. However, one of the enterprises reported that its capacity utilisation was incomplete as it lacked a sufficient number of sector-specific orders, due to which it had to manufacture metal structures for other companies in the region. Some enterprises experienced difficulties with equipment and component supplies. A large ship repair yard in the Primorye Territory faced difficulties with the import of a wide range of components from Europe and was searching for alternative logistics. A Kamchatka company complained about a delay in the delivery of a trawl complex from Europe for two seiners and was searching for alternative equipment in a friendly country. The company also reported a significant increase in the price of a contract for building a series of light fishing boats, partly because a Russian manufacturer raised the price for hull metal. To address the problem with imports, shipbuilders in the Khabarovsk and Primorye Territories launched the production of alternatives to imported components.

BOX 1

RESTRICTIONS ON INVESTMENT GOODS IMPORT AND THEIR IMPACT ON INVESTMENT ACTIVITY

Real sector companies are highly dependent on imported investment goods. In 2022, many European suppliers refused to continue cooperation, which entailed payment and logistics problems. Nevertheless, the majority of businesses facing the problems were able to refocus on domestic alternatives or those supplied by friendly states or switched to parallel imports. In addition, import substitution processes were supported by government programmes. However, it might take considerably more time to substitute some types of high technology products for Russian alternatives.

IMPORT AND OUTPUT OF INVESTMENT GOODS

Although imported investment goods account for a large percentage (46% of total Russian imports in 2021 and 41%⁵ in 2022), Russian investment goods (machinery, equipment, motor vehicles, construction materials, and others) prevail over imported products in the domestic market. As the availability of imported equipment decreased in 2022, the expansion of the output of domestic investment goods continued and even sped up for a number of goods. The output of a range of investment goods increased gradually and companies maintained their investments (Chart 1), which was supported by government measures, among other things.

The production of complex and high technology goods is more dependent on imports than that of simpler and mass market products. Thus, agricultural, mining and quarrying, and manufacturing enterprises use foreign machinery and equipment very extensively. Microelectronics are among those goods that will be most difficult to substitute. Construction is still dependent on the import of engineering systems for projects in medium- and high-price segments.

Two-thirds of enterprises experienced problems with imports in 2022 (Chart 2), according to the recent survey of businesses participating in the Bank of Russia's monitoring. For most of them (75% of those who faced problems), these difficulties were caused by foreign companies' refusals to deliver goods. 43% of the companies had troubles with transportation of imported goods, and 31% – with payments (Chart 3).

Difficulties with the import of equipment and spare parts from unfriendly countries constrained the output of 13% of enterprises (Chart 4). From among those using new alternatives to equipment and spare parts, about a third reported that their use increased input costs (Chart 5). Technical characteristics of some devices purchased to substitute equipment that has become less available are not as good as those of the items used earlier.

Some companies still experience problems searching for new importers of components, materials, and equipment. Nevertheless, the number of such businesses has been decreasing gradually since May 2022. Most chemical and metallurgical companies complain about difficulties

⁵ In 2022, unfriendly countries banned the export to Russia of many goods, including machinery, equipment and spare parts for them (including machines and tools), all types of transport and spare parts for them, microelectronics, and all types of electrical goods and components.

with substitution of equipment for alternatives. Machine-building enterprises are still facing significant constraints with regard to components. Specifically, a large shipyard delays the completion of ships construction due to the lack of alternatives to equipment in Russia and the need to agree upon using alternative components from other countries with its client.

Difficulties with imports also affected companies' investment activity. A number of investment projects, including those aimed at expanding the production of investment goods, are still in progress, yet their completion has been postponed. Most frequently, this is explained by difficulties with the timely delivery of equipment and the personal presence of foreign specialists for its setting-up.

Logistics bottlenecks also have a negative effect on the implementation of investment plans.

Deliveries of investment goods, just as of other product groups, were delayed because of the need for refocusing trade flows on other destinations. Companies in all macro-regions report that changes in logistics chains have considerably increased delivery periods of imported goods due to high utilisation rates of transportation routes through the Far East and the South of Russia. High demand for rail transportation to Eastern destinations worsened the situation at the Eastern railway section.⁶ Despite the increase in its carrying capacity by about 10% in 2022, the number of unshipped orders nearly doubled. The upgrade of the Eastern railway section will help reduce utilisation rates of logistics infrastructure in the Far East and increase cargo traffic from Asian countries. The potential for parallel imports through Asian countries is adversely affected by bottlenecks, namely overloaded border crossings in the South of Russia as shipments to Russia surged almost fivefold.

In some cases, delayed deliveries of spare parts for the equipment in operation caused declines in output. Thus, a decorative and construction stone quarrying company from the Leningrad Region reported that problems with the import of spare parts caused a long downtime due to the breakdown of equipment, the repair of which took much longer than in previous years.

MEASURES TAKEN BY COMPANIES TO ADDRESS PROBLEMS WITH IMPORTS

Most frequently, to tackle their problems with imports, enterprises substituted foreign suppliers for domestic ones (59% of businesses facing problems substituted their equipment, and 60% – spare parts). Nearly 40% of businesses experiencing difficulties continued to receive equipment and spare parts from unfriendly states either directly or through intermediaries in third countries. Despite their efforts to find new suppliers and delivery routes, many enterprises were experiencing a shortage of required imported components. Almost a third of respondents built up their stocks of raw materials, and some companies had to change system-level technical solutions for complex products.

Using alternative equipment and components, a part of enterprises report a decline in production performance. A half of companies that switched to alternatives did not face any serious problems with their use. However, 30% of businesses using alternatives incur higher input costs, 12% complain about more frequent breakdowns, another 12% note a lower quality of products, and 8% report declines in performance.

In the long run, the key way for the adjustment of the economy is to expand domestic production of investment goods. Extensive import substitution and rising domestic demand in 2022 helped some investment goods producers maintain or even ramp up their output, despite the difficulties occurred for their own production chains (Chart 6). As early as 2022, various regions

⁶ The railway system within the Krasnoyarsk, East-Siberian, Zabaikal and Far Eastern Railways.

across Russia were commissioning multiple projects to achieve this objective. In particular, Central Russia is preparing to launch the series production of innovative digital pressure sensors. Ural machine-builders expanded their output of motor vehicles and special machinery and commissioned facilities to produce spare parts and components substituting previously imported items. A machine-building enterprise in the Nizhny Novgorod Region started to provide repair services for the maintenance of imported equipment used by the fuel energy complex. An Altai fuel system plant substituted European nozzles and sprayers and supplies its products to major Russian enterprises.

Reverse engineering is becoming critical in the course of import substitution.⁷ In the first place, this process is used to substitute a relatively wide range of investment goods demanded by various enterprises that are unable to find alternatives of adequate quality in friendly states. Specifically, an engineering centre in the South of Russia reports a surging number of orders for reverse engineering of various European electronic devices as the quality of available Asian alternatives is noticeably lower than that of European originals.

ROLE OF GOVERNMENT SUPPORT FOR IMPORT SUBSTITUTION

Government support is crucial to speed up the adjustment of the economy to the earlier decrease in the availability of imported equipment and components. In particular, zero import duties on key imported investment goods and the permit for parallel imports, the decisions promptly made by the Russian Government, became quite important factors promoting the gradual restoration of the import of investment goods. Concurrently, in 2022, the Russian Government selected a number of top-priority industries that should become independent of imports in the first place: these are shipbuilding, civil aviation, and radioelectronics. These industries were granted access to subsidised financing programmes and other government support measures.

Most Russian regions created centres to promote import substitution and external economic activity. These centres render services for the development of new logistics routes, support and deliver imported goods, and help tackle problems with settlements and find new suppliers. Government support measures contribute to the reduction in transportation costs. Regional authorities are actively engaged in this process. In the course of import substitution projects, Russian regions grant subsidies to compensate for a part of costs, property and profit tax subsidies, investment tax refunds, and land plots for lease without bidding.

Thus, as a result of support measures, the North-West of Russia is implementing projects to design innovative products for the energy complex. The output of pharmaceuticals and medical goods in Moscow is expanding based on the mechanism of offset contracts, under which the local government guarantees purchases of produced goods during several years. The Ulyanovsk Region subsidises up to 50% of transportation costs of imported goods from the regional budget. A Novosibirsk enterprise has patented the composition and manufacturing method of a new catalyst (the import of catalysts from unfriendly states is now prohibited) needed to produce formaldehyde.

COMPANIES' EXPECTATIONS FOR 2023

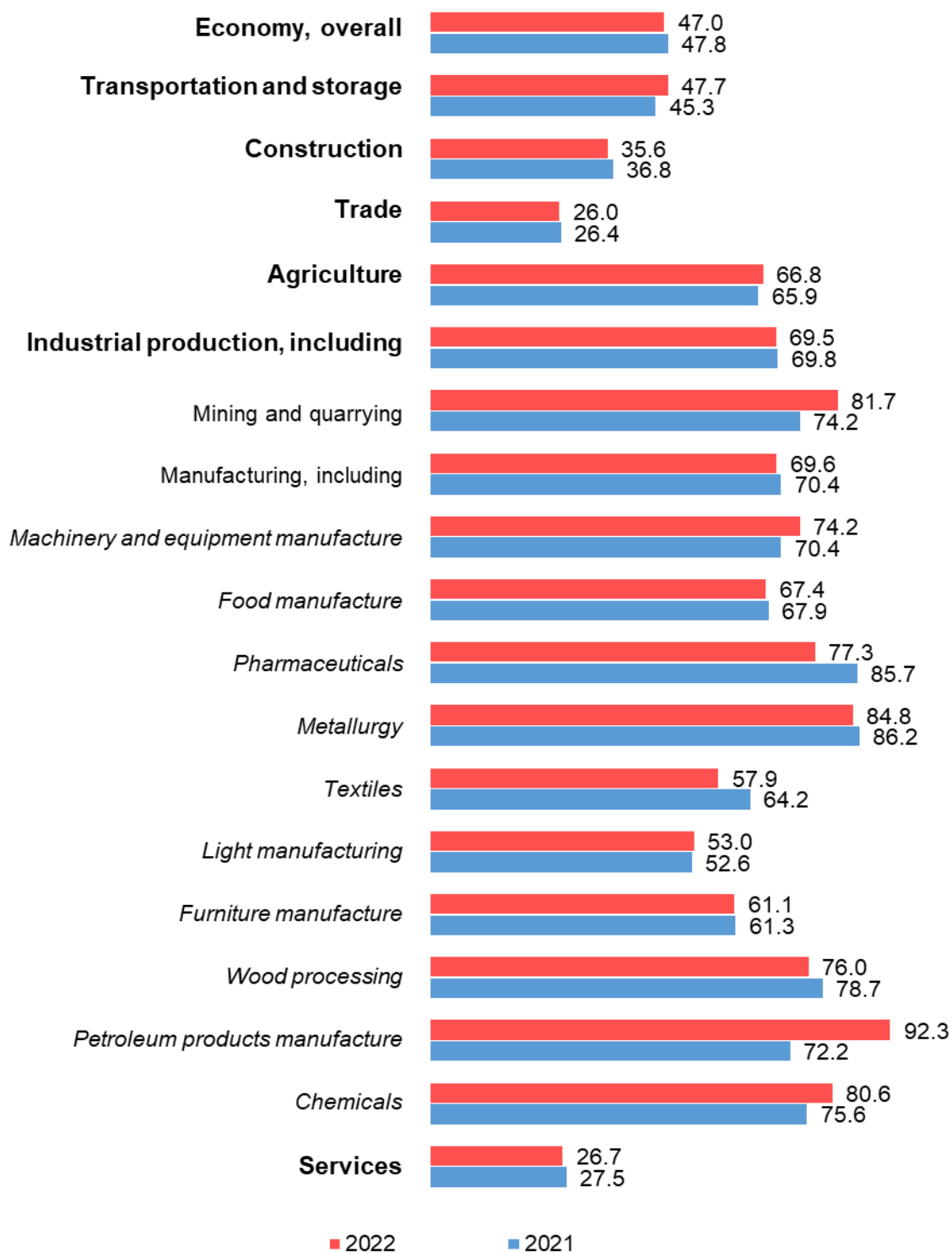
In 2023, import substitution and the expansion of investment goods production will continue, despite the difficulties with equipment supplies. In particular, an agricultural machinery

⁷ Dismantling of a device to understand the principle of its operation in order to, ultimately, prepare as soon as possible a package of specifications that will be the basis for designing similar devices.

manufacturer in the Rostov Region plans to invest in the development of production facilities and ramp up its output this year, using a greater number of domestic electronic systems for these purposes. Auto manufacturers in the North-West and Volga-Vyatka are actively reconfiguring their production lines in order to tailor them to the adjusted model range and enable the assembly of products from components supplied by new foreign partners.

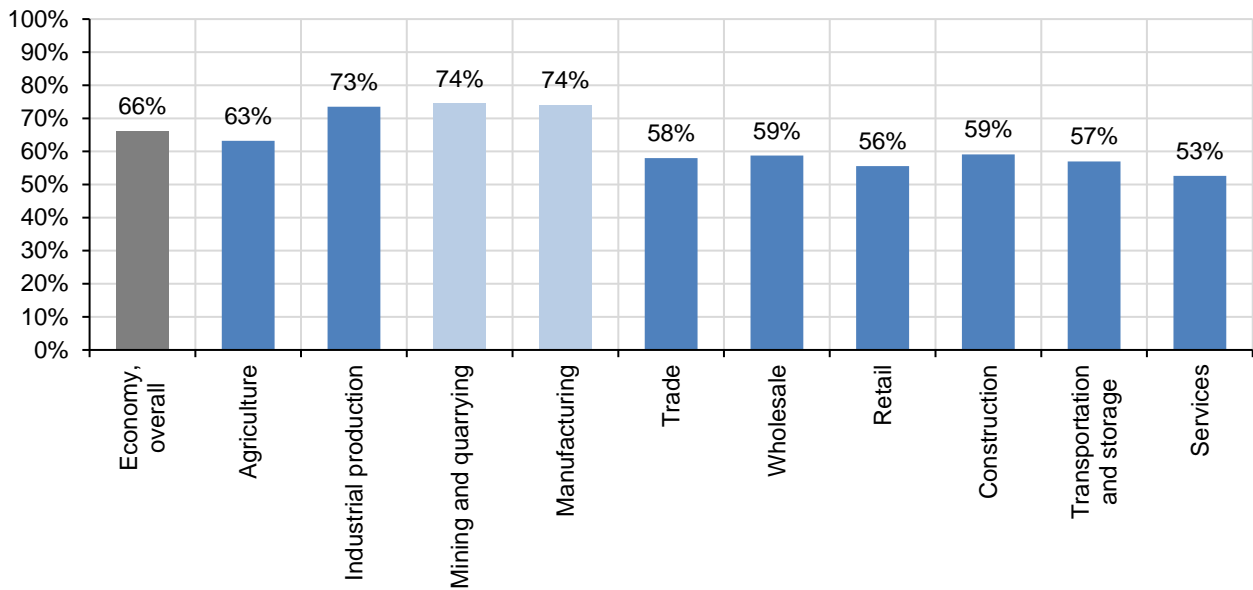
However, the persistent problems with equipment imports and, in some cases, the lack of alternatives with similar characteristics will still have an adverse effect on the implementation of investment projects in a number of industries. In the conditions of the existing problems with imports, a range of projects have become irrelevant, as a result of which investments have been cut. Other projects have been rescheduled for later dates as it takes time to adjust their technical implementation and the parameters of the financial model, considering higher prices for specific devices. There are persistent difficulties with the substitution of imported high technology microelectronic components and equipment, and it will be hard to promptly replace imports in this area with domestic products.

Chart 1. Companies' investment in machinery and equipment (% of companies)



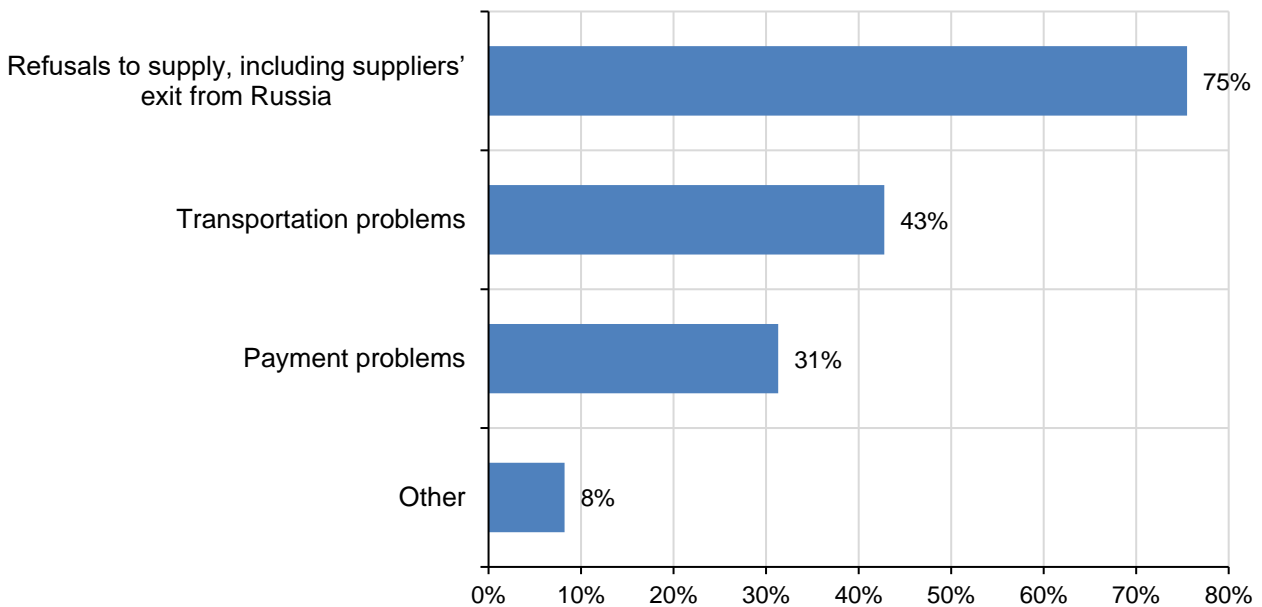
Sources: monitoring of businesses, Bank of Russia.

Chart 2. Companies facing problems with imports in 2022, % of respondents



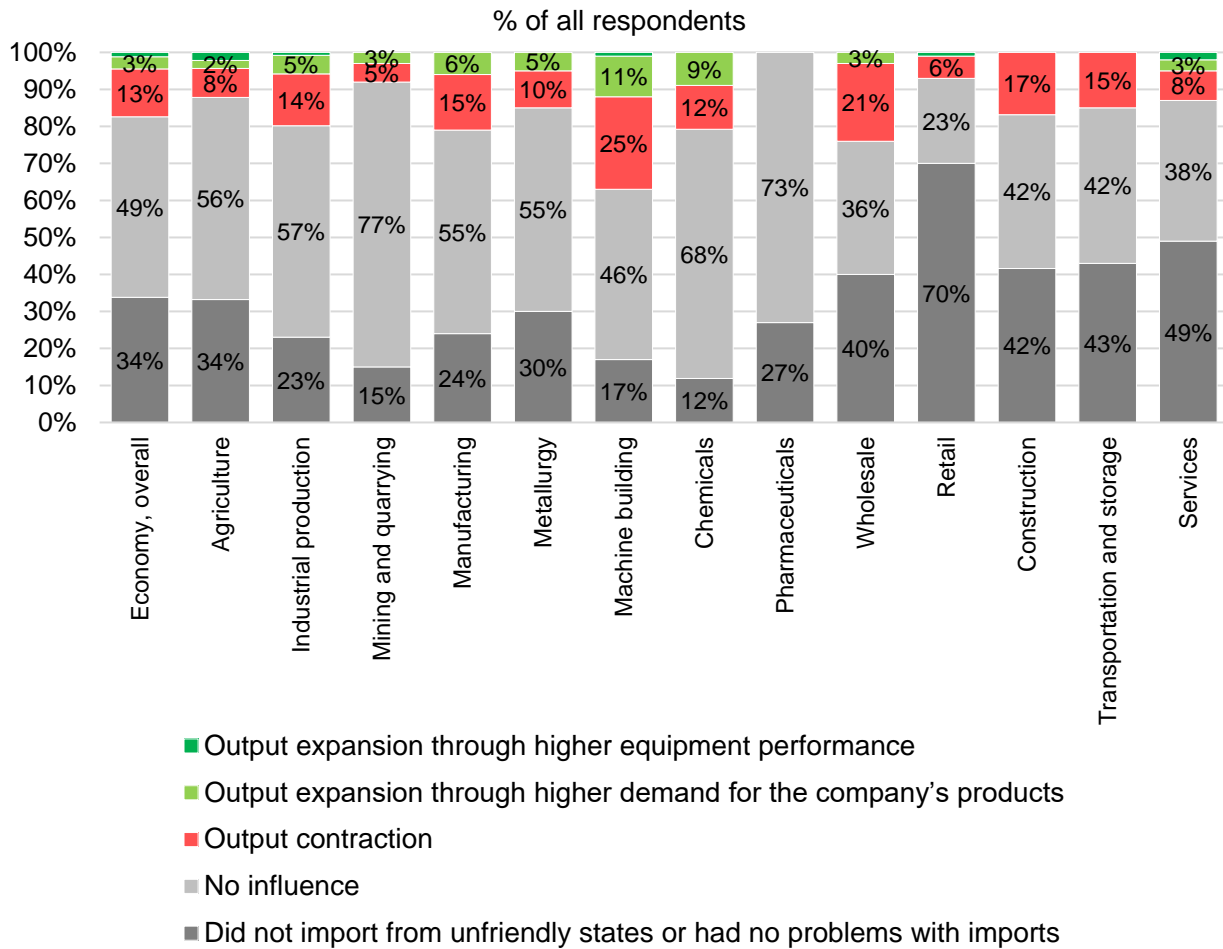
Sources: monitoring of businesses, Bank of Russia.

Chart 3. Reasons for problems with imports in 2022, % of companies facing problems (multiple choice)



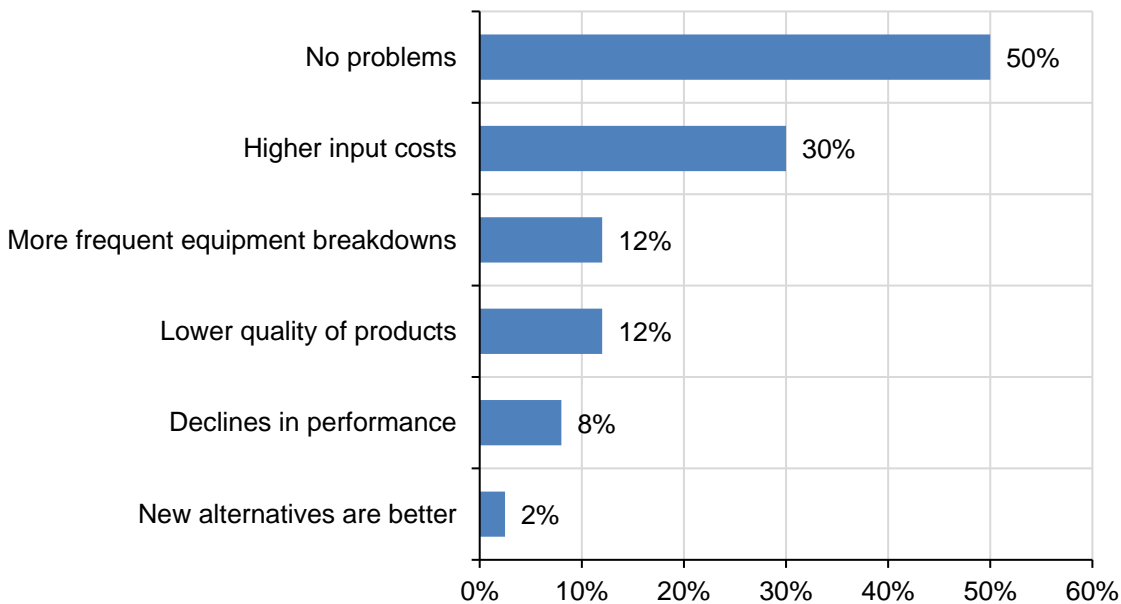
Sources: monitoring of businesses, Bank of Russia.

Chart 4. How have problems with the import of equipment and spare parts from unfriendly countries influenced your company's output?



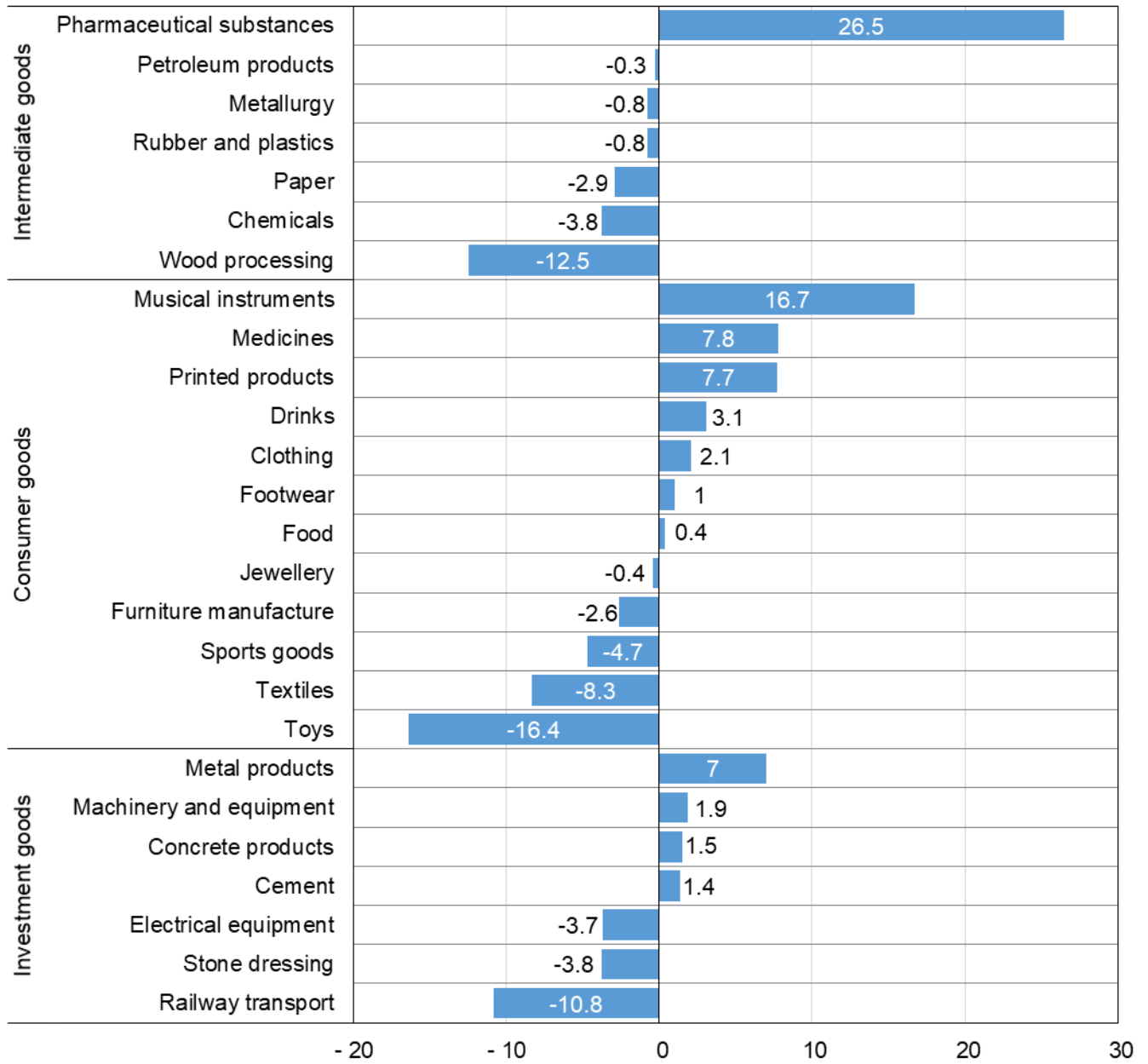
Sources: monitoring of businesses, Bank of Russia.

Chart 5. Have there been any problems with new alternatives to equipment and spare parts (multiple choice)? % of companies using new alternatives to equipment and spare parts from unfriendly states



Sources: monitoring of businesses, Bank of Russia.

Chart 6. Output growth in 2022, % YoY



Sources: Rosstat, Bank of Russia calculations.

BOX 2.

HOUSING CONSTRUCTION AND ITS REGIONAL SPECIFICS IN 2022–2023: CHALLENGES AND PROSPECTS

In 2022, Russia commissioned record-high numbers of residential buildings (the growth rate reached 11% YoY), with apartment buildings accounting for 40% of the total area. There was an increase in apartment buildings under construction. Despite the support through subsidised lending programmes, the demand for housing declined, which slowed down price growth. The percentage of apartments not offered for sale by developers rose by the end of the year, which might cause a decline in new construction projects in the future. Individual homes are becoming increasingly popular amid the development of mortgage lending. In 2023, housing commissioning is expected to stay at the level of 2022, with subsidised mortgages remaining the driver of the market.

DEMAND

The demand for housing stayed sufficiently high in early 2022, after the active increase in sales and prices throughout 2021. After the abrupt change in the economic situation, in 2022 Q2, the demand for housing stopped growing sharply but for a short while. Already from the beginning of summer, home purchases by households started to bounce back actively, supported by both government subsidised programmes and a quick return of market interest rates to the levels of early 2022.

Further market dynamics in 2022 H2 might be divided into three stages. From June through September, the demand for housing was rising as market rates on mortgage loans were declining following the Bank of Russia key rate, interest rates on subsidised mortgage loans were dropping, developers were offering subsidised mortgage loans at close-to-zero interest rates, and the government launched a new subsidised mortgage programme for IT specialists and, in June, resumed the subsidising of rural mortgages. In October–November, the demand for housing plummeted amid the partial mobilisation and relocation. Developers reported that a half of reservations and transactions in progress were cancelled. In December, the market recorded a new wave of the rebound in demand, boosted by the information about possible changes in the conditions or cancellation of the subsidised mortgage lending programme beginning from 2023. Besides, the increase in demand in the South of Russia (particularly, in the Krasnodar Territory, the Rostov Region, and the Republic of Crimea) was driven by the start of the issue of housing certificates to the residents who moved from the Kherson Region.

In order to boost the demand for housing, developers used both standard measures (subsidised mortgage lending, instalments, and trade-in) and new ones, including discounts for parking slots and storerooms, payment of relocation expenses for residents of other cities, bonuses, and gift certificates. Large developers in the Samara Region granted gift certificates for purchases at do-it-yourself and furniture stores to their clients. Construction companies in Novosibirsk, Omsk and Khakassia offered smaller turnkey apartments, considering buyers' preferences.

Developers used a new instrument to boost the demand for housing, namely subsidised mortgage lending at close-to-zero interest rates in partnership with banks. Interest rates were reduced through an increase in housing prices. This influenced the demand. Specifically, a large developer in the North-West conducted nearly a third of mortgage lending transactions at a close-to-zero interest rate. In the Urals, such mortgage lending programmes mostly covered purchases of less liquid real estate in locations where the demand was below the average.

The Bank of Russia has repeatedly noted that this scheme involves substantial additional risks for both borrowers and banks as it artificially causes overpricing of housing relative to its fair market value and, accordingly, increases the amount a mortgage loan raised by a household.

As of the end of the year, the mortgage portfolio expanded in all macro-regions. The South and the Far East recorded the most significant annual growth rates. New apartments purchased using a mortgage loan in 2022 accounted for nearly 80%.

Individual housing construction (IHC) is becoming increasingly more popular. The number of loans issued for IHC in 2022 was three times higher than over the previous year, which was driven by rising demand after the pandemic. Mortgage penetration in the IHC segment remains low, with only one in ten individual homes built using a loan. The percentage of mortgage loans issued for IHC is minor. This is explained by low liquidity of a private house (as compared to an apartment) and collateral valuation complexity. Growth might be promoted by engaging major contractors with standard projects in construction and using project finance mechanisms.

SUPPLY

In 2022, Russia commissioned record-high numbers of residential buildings. Growth was recorded in all Federal Districts of Russia, with the highest rates registered in Central Russia, the Volga Region, and the South (Chart 1). The increase in volumes and the share of individual homes in Southern regions (including the Krasnodar Territory, the Republics of Crimea and Adygeya) was driven by 'country house amnesty', higher prices for homes in apartment buildings, the gas infrastructure development programme covering projects under construction, and the national project Stimul in the Chechen Republic. The expansion of IHC in the Volga Region was promoted by the valuation and registration of the projects that had not been registered previously, as well as by the gas infrastructure development programme.

IHC is also supported by regional authorities. Thus, in July 2022, the Murmansk Region launched a regional programme providing for a number of one-time payments for purchasing a prefabricated home or a building or for constructing an individual home. The Chukotka Autonomous Area raised the maximum amount of the compensation for expenses under the regional programme for subsidising IHC from four to six million rubles.

The Urals, the North-West, Central Russia, and Siberia were the major contributors to the growth in apartment buildings commissioning in Russia over 2022. The expansion in the Urals and Siberia was associated with the completion of the construction of a number of residential complexes, started after the launch of the subsidised mortgage lending programme, and the construction of houses under the programme for resettlement from emergency housing. The main contributor in Central Russia was the Moscow Region thanks to effective demand and well-developed transport infrastructure. Moscow recorded a decline in the number of commissioned apartment buildings. Some developers are considering the possibility of building houses in the new regions

of the Russian Federation.

The areas of apartment buildings under construction as of early 2023 increased year-on-year (Chart 2), but the dynamics were diverse across the macro-regions. The most significant growth rates were reported by the Far East (owing to support measures and the Far Eastern Mortgage programme) and the North Caucasus (as a result of the subsidised mortgage lending programmes and population increase). Contrastingly, the North-West and Central Russia recorded a decline in the area of apartment buildings under construction over 2022. In absolute terms, residential housing under construction increased most notably in the South that accounted for two-thirds of the total expansion across Russia.

Most construction companies do not pause the projects that are under construction and do not abandon their plans.

PRICE MOVEMENTS AND FACTORS BEHIND THEM

The annual increase in prices for new and existing housing slowed down slightly in 2022 Q4, while staying significantly above the growth rates of households' incomes (Charts 3 and 4). The deceleration was most notable in the North-West. The main reasons behind a slower rise in prices for apartment buildings were weaker demand and higher competition among developers. The revision of the subsidised mortgage lending programme and the tightening of the regulatory requirements for loans issued at close-to-zero interest rates are expected to somewhat cool down the demand for housing in 2023 and help slow down the price growth.

Proinflationary pressure on real estate prices is exerted by higher costs for construction materials, imported spare parts for construction machinery and transportation services, as well as rising wages. According to some developers, construction costs rose by 10–30% over the previous year, but most companies expect this rate to edge down to 5–10% in 2023. To reduce their costs, developers started to select suppliers more cautiously and purchase construction materials in good time and during lower price periods. As suppliers of European construction materials and construction machinery exited the market, Russian developers are searching for alternative suppliers and arranging new logistics chains. Some developers have managed to retain supplies of certain equipment items through parallel imports. Thus, a developer in the South of Russia purchases heater radiators in the Middle East. A number of developers in the Caucasus and the Far East buy machinery directly from Asia.

Developers are commissioning their own plants to manufacture products needed in the neighbouring regions where the demand for housing remains high. In particular, developers in the Tyumen Region formed an import substitution cluster to reduce costs and risks of disruptions in supplies. However, companies report that they are still unable to find high-quality alternatives to some imported materials.

Besides, there are shortages of staff in a number of areas, including of both labourers and highly qualified specialists. The construction industry accounts for the greatest increase in the number of job vacancies and wages offered in the Russian labour market. Labour migrants' expectations about wages and high-wage competition in services increased. Staff shortages in Siberia became more acute in 2022 H2 as many people prefer rotational work in other regions or relocate. Siberian regions experience a deficit of construction engineers. The Trans-Baikal Territory and Buryatia also complain about staff shortages as they traditionally hired Chinese workers for construction.

The Ural macro-region is addressing the problem of staff shortages through personnel training under the Professionalitet programme of the Ministry of Education and directly in companies. The staff training programme for construction is underway in all Russian regions.

PROJECT FINANCE IN HOUSING CONSTRUCTION

Growth in the amounts of loan agreements with developers and balances of escrow accounts slowed down in 2022. However, balances of escrow accounts in Russia increased by a third as of the end of 2022. In November, balances of escrow accounts declined for the first time, that is, the use of escrow accounts exceeded the inflow of funds into them. This was caused by a reduction in sales of new housing, rather than by an increase in the amounts of the escrow accounts used over that period.

The South of Russia reported the lowest growth rate of balances of escrow accounts over 2022 due to the use of escrow accounts and the commissioning of real estate in the Rostov Region, the Stavropol Territory, Sevastopol, and the Volga Region. In contrast, the highest growth rates were recorded in the North-West and Central Russia, especially in Moscow and the Moscow Region. This is explained by higher incomes of households and their desire to protect their investments amid overall uncertainty. The main contributor in the Far East was the Primorye Territory, which was associated with stable demand for new housing and the subsidised mortgage lending programme, primarily Far Eastern Mortgage.

Some regional developers reported that banks were cautious in approving loans for young companies, developers' equity share in some projects increased, and the effective period of an agreement (six months after the commissioning of a building) was not always sufficient to sell the apartments in order to fully repay the loan. Nevertheless, large developers have no problems with raising project finance, including for new projects.

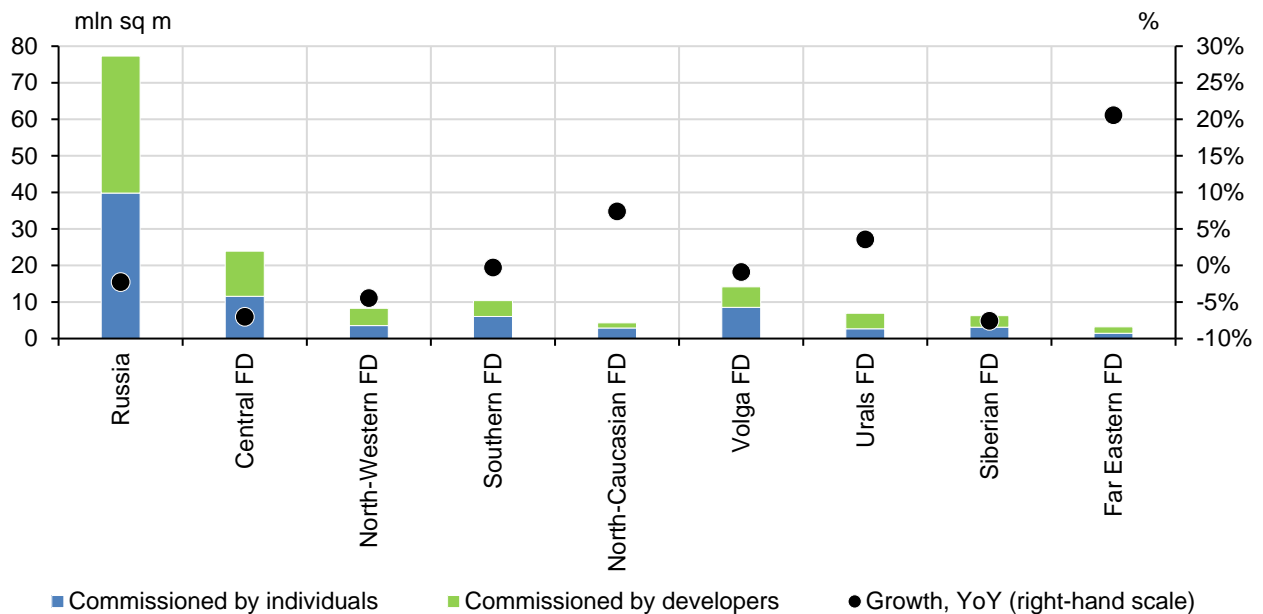
HOUSING CONSTRUCTION PROSPECTS

In 2023, demand is expected to be supported by the range of the earlier implemented measures: the increase in maternity capital by 11.9%, the extension of the subsidised mortgage lending programme until July 2024 (with the increase in the interest rate to 8%), and changed criteria of the Family Mortgage programme, which will expand the range of borrowers (Chart 5). Concurrently, the Bank of Russia is taking measures to reduce possible risks in the market of mortgage loans issued by developers at close-to-zero interest rates. According to the Bank of Russia's monitoring of businesses, in January 2023, companies became more optimistic about future construction dynamics as a result of the extension of the subsidised mortgage lending programme and the expansion of the criteria for issuing loans under the Family Mortgage programme. They also increased their estimates of expected demand for housing in all macro-regions, except the North-West.

Additional initiatives presented in early 2023 will also promote the development of housing construction. Beginning from 2022, families with two or more children are exempt from property sale tax if they decide to acquire a new larger apartment or a house. The gas infrastructure development programme for households was extended for an unlimited period of time, which will make IHC more attractive. In 2023, the authorities will launch the programme for subsidised rental housing for workers of enterprises of the defence industrial complex. Besides, the authorities started

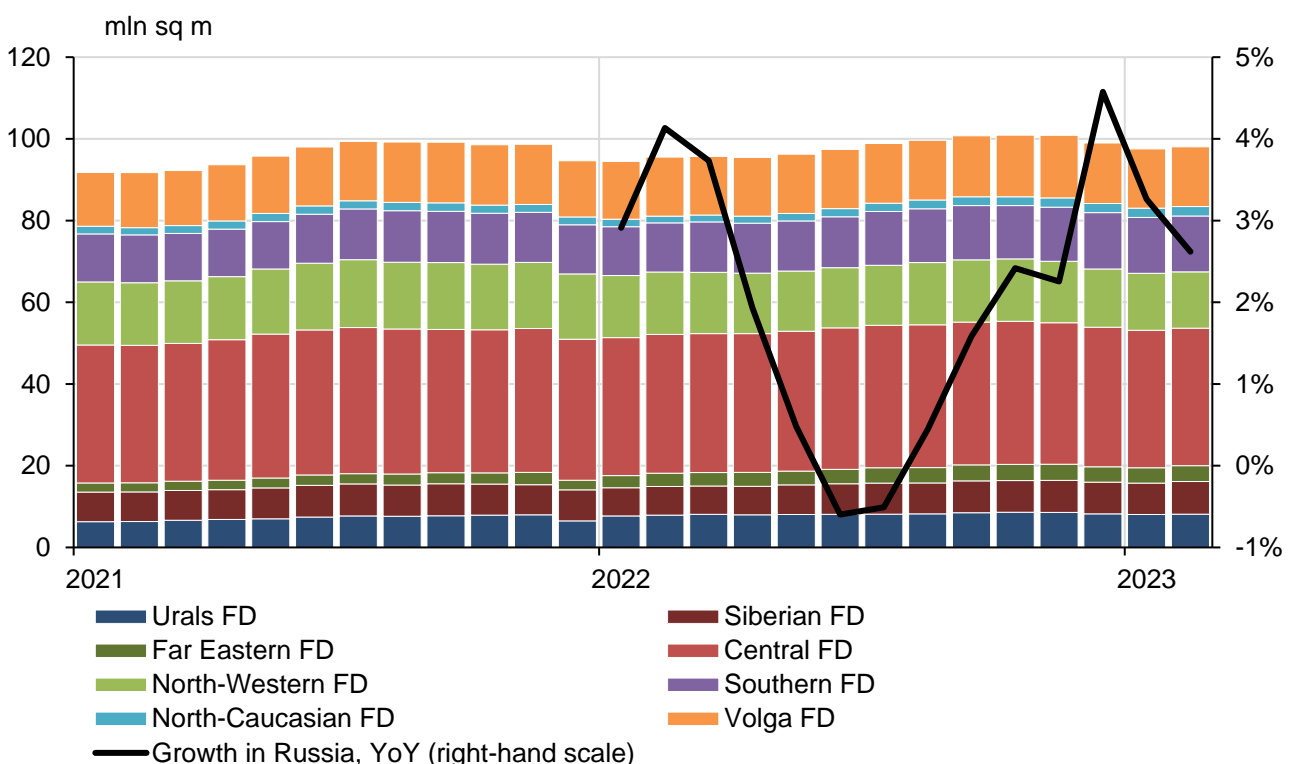
the programme for the construction and repair of housing and utility systems, which will create conditions for launching the construction of new apartment buildings and new IHC projects. The Government set the objective to train about one million of low-skilled workers, including construction workers, which is expected to help tackle the problem with personnel. The Government plans to expand the financing of the effective programme for the issue of housing certificates to young scientists.

Chart 1. Housing commissioning in May 2022–January 2023



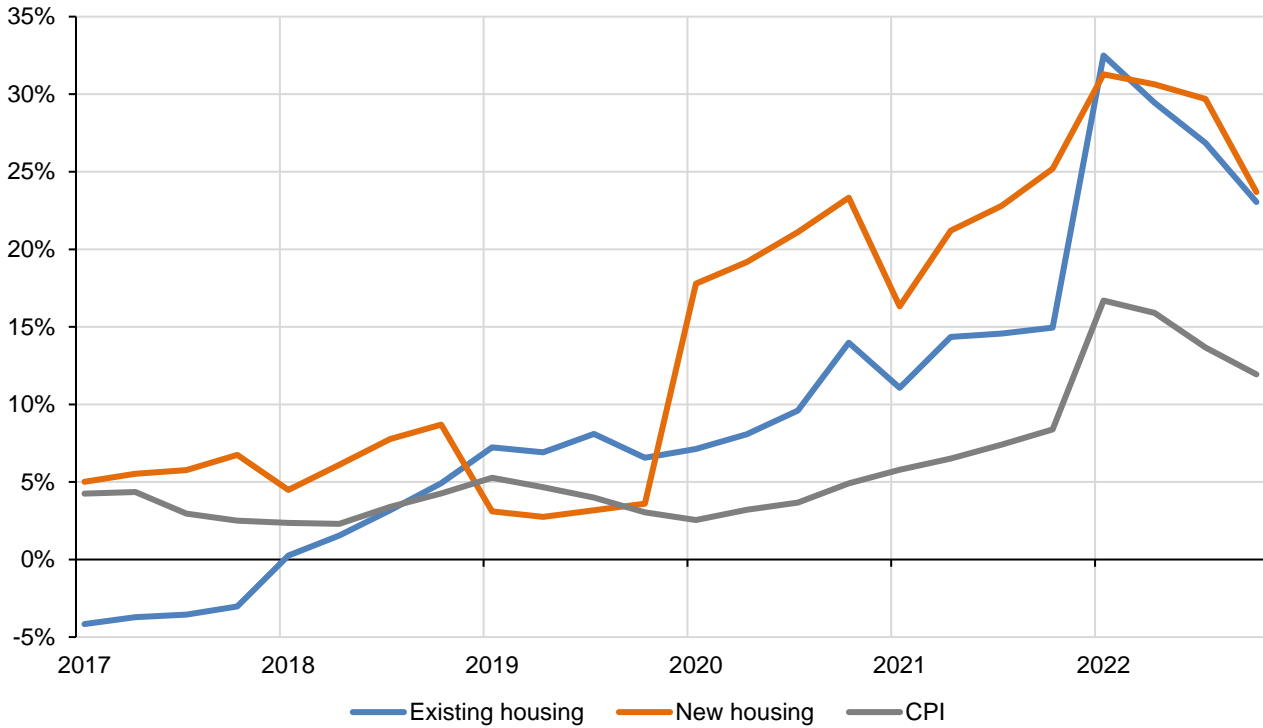
Source: Rosstat.

Chart 2. Area of apartment buildings under construction



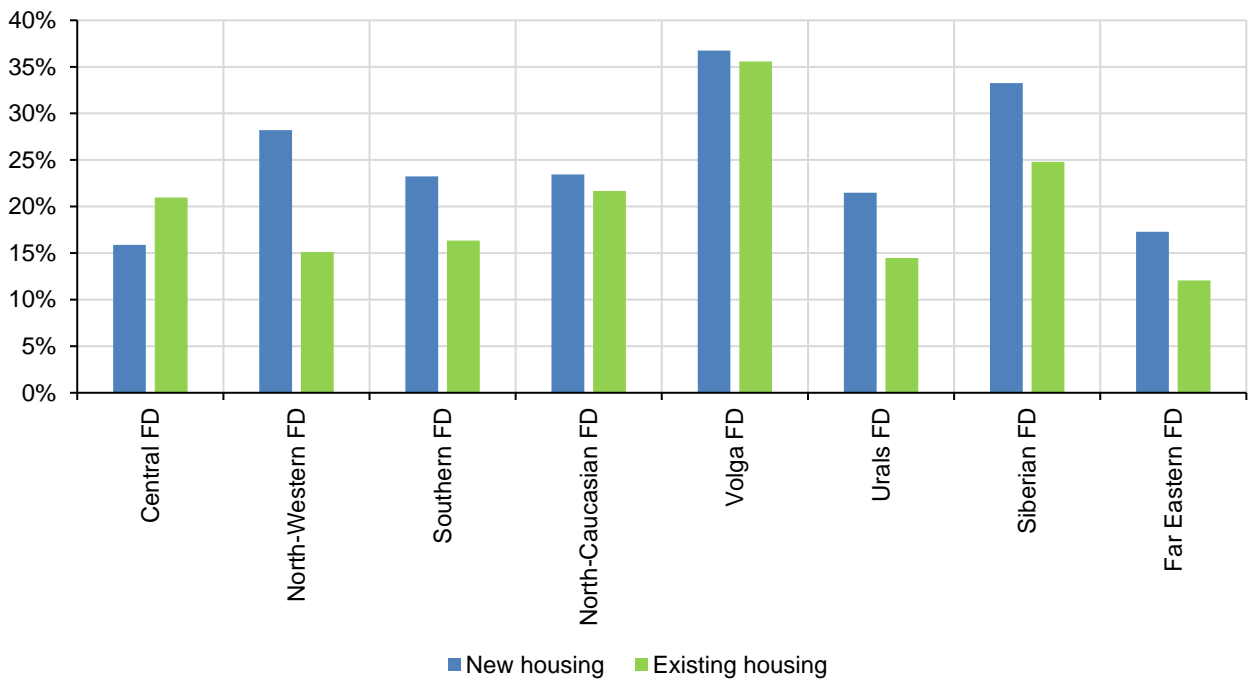
Source: DOM.RF.

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



Source: Rosstat.

Chart 4. Growth of average prices for new and existing housing in 2022 Q4, % YoY



Source: Rosstat.

Chart 5. Main regulatory innovations in 2022–2023

Measure	2022				2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Subsidised Mortgage (8%)												
		From May22										
Family Mortgage												
Far Eastern Mortgage												
												Through 2030
Rural Mortgage												
			From Aug22									No end date
IT Mortgage												
					From Feb23							
Individual housing construction (IHC)												No end date
		From Jun22										
'Country house amnesty'												
												Until Mar31
Temporary regulatory easing												
Support to equity construction participants												
Acceleration of the launch of construction materials in the market												

In effect
 Previously effective, but with other conditions
 Not in effect

Source: Bank of Russia.

REGIONAL ECONOMY: EARLIER ISSUES AND BOXES THEREIN



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Regional and sectoral labour markets

Producer costs



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Consumer demand: the impact of the worsening epidemiological situation

ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2021	2022	2021	2022	2022	2022	2022	2022	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4				
Inflation	% YoY	8.4	11.9	8.4	16.7	15.9	13.7	11.9		11.9	11.8	
Core inflation	% YoY	8.9	14.3	8.9	18.7	19.2	17.1	14.3		14.3	13.7	
Industrial production	3MMA, % YoY	6.3	-0.6	7.8	5.1	-2.6	-1.2	-3.0		-3.0	-2.9	
Fixed capital investment	Cumulative, % YoY	8.6		8.6	12.8	7.8	5.9					
Construction	3MMA, % YoY	7.0	5.2	8.3	3.9	3.6	5.2	6.9		6.9	6.7	
Housing commissioning	3MMA, % YoY	12.7	11.0	-11.2	64.6	24.6	1.5	-21.3		-21.3	-11.4	
Retail	3MMA, % YoY	7.8	-6.7	4.7	3.5	-9.8	-9.4	-9.5		-9.5	-8.5	
Commercial services	3MMA, % YoY	17.2	3.6	13.0	7.9	1.4	2.4	2.3		2.3	2.5	
Real wages	3MMA, % YoY	4.5	-1.0	2.7	2.9	-5.5	-2.0	0.4		0.4		
Real disposable income	% YoY	3.8	-1.4	1.4	-1.6	-2.2	-2.5	0.4				
Unemployment	SA, %	4.8		4.3	4.2	3.9	3.9	3.7		3.7	3.6	
Outstanding consumer loans	% YoY	19.5	2.5	19.5	15.6	7.1	4.3	2.5		2.5	2.3	
Outstanding mortgage loans	% YoY	26.7	17.6	26.7	27.2	18.3	16.8	17.6		17.6	16.9	
Funds in escrow accounts	% YoY	158	32.7	158	130	76.3	53.7	32.7		32.7	24.9	
Non-financial organisations' outstanding bank loans	% YoY	14.6	19.7	14.6	17.6	15.6	16.7	19.7		19.7		
• Large borrowers	% YoY	12.3	17.6	12.3	15.1	13.3	13.8	17.6		17.6		
• SMEs	% YoY	27.5	29.9	27.5	30.4	26.5	31.8	29.9		29.9		
Companies' price expectations	Balance of responses, SA	20.1	21.8	21.6	29.1	24.4	15.4	18.1		19.6	17.4	16.1
Business Climate Index	pp YoY	9.6	-4.8	6.6	-2.3	-11.2	-2.3	-3.5		-1.6	-2.2	0.2
• Current estimates	pp YoY	11.1	-4.2	6.2	1.0	-11.6	-3.0	-3.3		0.0	-2.1	1.6
• Expectations	pp YoY	7.8	-5.5	6.9	-5.8	-10.8	-1.6	-3.7		-3.2	-2.2	-1.6

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

		2021	2022	2021	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4					
Inflation	% YoY	8.3	12.5	8.3	16.6	16.3	14.2	12.5	12.5	12.4	
Core inflation	% YoY	9.0	14.9	9.0	18.9	19.9	17.7	14.9	14.9	14.3	
Industrial production	3MMA, % YoY	19.8	3.1	22.7	9.7	3.6	2.9	-2.9	-2.9	-2.4	
Fixed capital investment	Cumulative, % YoY	14.5		14.5	8.2	3.8	1.2				
Construction	3MMA, % YoY	5.2	12.0	-0.3	7.5	14.3	13.0	12.0	12.0	10.4	
Housing commissioning	3MMA, % YoY	14.3	12.6	-18.3	82.6	24.2	-2.3	-21.8	-21.8	-16.2	
Retail	3MMA, % YoY	8.5	-9.5	4.8	2.9	-12.9	-12.7	-13.1	-13.1	-12.4	
Commercial services	3MMA, % YoY	23.5	4.9	21.3	16.8	-0.9	1.5	3.0	3.0	2.8	
Real wages	3MMA, % YoY	5.6	-2.3	3.1	5.3	-7.2	-4.8	-2.0	-2.0		
Real disposable income	% YoY	5.2	-1.7	2.8	3.0	-4.1	-4.2	-0.9			
Unemployment	SA, %	3.5		3.1	3.0	3.0	3.0	2.9	2.9	2.9	
Outstanding consumer loans	% YoY	19.9	2.8	19.9	16.7	8.6	4.8	2.8	2.8	2.7	
Outstanding mortgage loans	% YoY	29.2	16.9	29.2	28.5	19.9	18.3	16.9	16.9	15.9	
Funds in escrow accounts	% YoY	171	39.6	171	137	83.8	59.3	39.6	39.6	30.7	
Non-financial organisations' outstanding bank loans	% YoY	13.1	15.6	13.1	14.8	12.5	13.3	15.6	15.6		
• Large borrowers	% YoY	10.0	13.2	10.0	11.3	9.7	10.0	13.2	13.2		
• SMEs	% YoY	36.6	30.1	36.6	39.4	29.4	35.6	30.1	30.1		
Companies' price expectations	Balance of responses, SA	29.6	28.5	29.3	37.2	35.2	19.7	21.9	22.8	18.8	18.7
Business Climate Index	pp YoY	8.9	-6.4	5.4	-2.0	-14.2	-4.2	-5.1	-2.2	-3.6	-1.3
• Current estimates	pp YoY	9.4	-5.1	4.9	2.8	-14.3	-3.9	-5.1	-1.1	-3.2	0.6
• Expectations	pp YoY	8.1	-7.7	5.9	-7.1	-14.1	-4.5	-5.0	-3.4	-4.1	-3.5

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

		2021	2022	2021	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4					
Inflation	% YoY	8.5	11.9	8.5	17.1	15.5	13.7	11.9	11.9	11.9	
Core inflation	% YoY	8.9	14.7	8.9	19.3	19.0	17.5	14.7	14.7	14.0	
Industrial production	3MMA, % YoY	5.2	-0.9	3.8	2.7	-4.1	-8.5	-2.4	-2.4	-2.9	
Fixed capital investment	Cumulative, % YoY	3.6		3.6	3.4	0.1	-3.6				
Construction	3MMA, % YoY	3.7	-10.5	19.6	-3.9	-9.3	-10.8	-13.5	-13.5	-12.6	
Housing commissioning	3MMA, % YoY	13.3	8.4	-35.8	43.3	33.6	-19.6	-8.6	-8.6	-5.5	
Retail	3MMA, % YoY	11.7	-8.2	9.2	5.0	-10.6	-12.4	-12.4	-12.4	-11.3	
Commercial services	3MMA, % YoY	19.2	3.2	15.5	5.1	1.5	2.5	3.4	3.4	4.4	
Real wages	3MMA, % YoY	4.3	-1.2	2.3	1.6	-5.1	-2.6	0.7	0.7		
Real disposable income	% YoY	5.6	-2.5	2.8	1.4	-4.2	-6.6	-0.3			
Unemployment	SA, %	3.9		3.3	3.1	3.1	3.5	3.3	3.3	3.1	
Outstanding consumer loans	% YoY	18.7	1.8	18.7	14.8	6.4	3.9	1.8	1.8	1.4	
Outstanding mortgage loans	% YoY	26.5	15.2	26.5	26.9	18.1	16.2	15.2	15.2	14.2	
Funds in escrow accounts	% YoY	255	32.4	255	202	110.5	77.5	32.4	32.4	24.1	
Non-financial organisations' outstanding bank loans	% YoY	28.3	45.4	28.3	39.2	42.6	29.5	45.4	45.4		
• Large borrowers	% YoY	32.5	46.1	32.5	46.6	54.2	28.9	46.1	46.1		
• SMEs	% YoY	11.0	42.0	11.0	13.2	7.0	32.4	42.0	42.0		
Companies' price expectations	Balance of responses, SA	23.6	23.6	23.6	30.3	27.9	16.8	19.5	20.2	18.4	17.8
Business Climate Index	pp YoY	9.4	-8.9	8.3	-2.0	-14.9	-9.1	-9.8	-8.8	-8.2	-4.0
• Current estimates	pp YoY	11.1	-8.3	8.7	1.1	-15.5	-9.4	-9.3	-7.0	-7.3	-3.0
• Expectations	pp YoY	7.5	-9.6	7.9	-5.2	-14.2	-8.8	-10.3	-10.7	-9.1	-5.1

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

		2021	2022	2021	2022	2022	2022	2022	2022	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4				
Inflation	% YoY	8.6	12.4	8.6	17.1	16.7	14.2	12.4		12.4	12.2	
Core inflation	% YoY	9.4	14.7	9.4	19.7	20.1	17.8	14.7		14.7	14.1	
Industrial production	3MMA, % YoY	8.7	1.1	10.4	6.6	-2.7	1.5	0.9		0.9	0.6	
Fixed capital investment	Cumulative, % YoY	5.5		5.5	12.8	6.5	6.0					
Construction	3MMA, % YoY	13.8	14.2	14.8	18.3	5.1	11.5	10.1		10.1	5.8	
Housing commissioning	3MMA, % YoY	8.5	3.8	1.1	18.2	26.4	14.4	-31.5		-31.5	-19.3	
Retail	3MMA, % YoY	6.0	-3.9	5.1	4.3	-8.6	-5.7	-3.8		-3.8	-3.3	
Commercial services	3MMA, % YoY	10.9	2.9	6.5	5.4	3.9	2.4	0.5		0.5	1.1	
Real wages	3MMA, % YoY	4.3	-0.6	3.7	1.1	-4.5	-1.3	0.9		0.9		
Real disposable income	% YoY	2.1	-1.1	1.7	-1.4	-1.2	-3.5	1.7				
Unemployment	SA, %	4.0		3.5	3.4	3.3	3.2	3.1		3.1	3.0	
Outstanding consumer loans	% YoY	19.2	1.2	19.2	14.6	5.4	3.2	1.2		1.2	1.2	
Outstanding mortgage loans	% YoY	23.0	15.4	23.0	24.2	15.5	13.4	15.4		15.4	14.7	
Funds in escrow accounts	% YoY	105	11.6	105	99	54.3	35.0	11.6		11.6	6.1	
Non-financial organisations' outstanding bank loans	% YoY	11.8	11.0	11.8	12.0	9.2	10.0	11.0		11.0		
• Large borrowers	% YoY	9.0	8.0	9.0	8.0	4.0	6.0	8.0		8.0		
• SMEs	% YoY	19.9	18.8	19.9	23.5	23.7	21.3	18.8		18.8		
Companies' price expectations	Balance of responses, SA	29.0	28.6	29.5	36.6	35.9	20.0	22.0		21.7	20.1	22.3
Business Climate Index	pp YoY	9.5	-5.6	6.9	-3.5	-13.2	-1.2	-4.4		-2.0	-1.2	2.7
• Current estimates	pp YoY	11.1	-5.9	6.3	-2.1	-14.0	-3.3	-4.4		-1.3	-0.7	3.0
• Expectations	pp YoY	7.6	-5.1	7.6	-4.8	-12.2	1.2	-4.5		-2.8	-1.6	2.3

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

Core indicators. Southern Main Branch

Table 5

		2021	2022	2021	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4					
Inflation	% YoY	9.2	11.7	9.2	16.6	16.1	13.3	11.7	11.7	11.7	
Core inflation	% YoY	9.1	14.4	9.1	17.1	18.8	16.9	14.4	14.4	14.0	
Industrial production	3MMA, % YoY	5.2	2.5	5.1	4.5	-1.4	0.1	7.9	7.9	6.4	
Fixed capital investment	Cumulative, % YoY	-0.3		-0.3	1.8	2.4	3.9				
Construction	3MMA, % YoY	6.5	1.9	11.0	-20.5	4.2	9.7	3.8	3.8	1.9	
Housing commissioning	3MMA, % YoY	13.8	18.0	-8.4	94.2	37.7	3.1	-20.2	-20.2	-3.6	
Retail	3MMA, % YoY	12.0	-2.9	5.4	2.9	-6.1	-4.5	-3.1	-3.1	-1.0	
Commercial services	3MMA, % YoY	15.1	2.8	7.5	5.4	2.4	1.8	1.7	1.7	3.0	
Real wages	3MMA, % YoY	2.3	-1.7	0.1	-1.4	-5.6	-2.0	0.8	0.8		
Real disposable income	% YoY	4.1	-1.1	0.3	-3.8	-3.0	-2.0	3.4			
Unemployment	SA, %	7.8		7.0	6.9	6.3	6.2	6.1	6.1	5.9	
Outstanding consumer loans	% YoY	21.1	3.1	21.1	17.4	8.6	5.7	3.1	3.1	2.9	
Outstanding mortgage loans	% YoY	30.7	24.9	30.7	31.5	22.4	21.1	24.9	24.9	24.9	
Funds in escrow accounts	% YoY	120	25.1	120	91	45.8	36.1	25.1	25.1	21.2	
Non-financial organisations' outstanding bank loans	% YoY	13.7	27.2	13.7	16.8	15.2	32.8	27.2	27.2		
• Large borrowers	% YoY	8.4	22.6	8.4	10.7	7.2	29.8	22.6	22.6		
• SMEs	% YoY	28.5	38.1	28.5	33.2	35.9	40.2	38.1	38.1		
Companies' price expectations	Balance of responses, SA	20.2	21.1	21.5	28.2	23.9	15.0	17.3	19.7	15.8	14.4
Business Climate Index	pp YoY	7.9	-3.9	2.4	-2.5	-10.0	-2.0	-1.1	-1.7	-0.5	0.7
• Current estimates	pp YoY	10.0	-3.3	2.0	1.5	-9.2	-3.9	-1.5	-1.4	-1.6	7.2
• Expectations	pp YoY	5.3	-4.6	2.9	-6.6	-10.9	0.0	-0.8	-2.0	0.4	-7.1

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.
Excluding the regions where statistics are currently unavailable.

Core indicators. Ural Main Branch

Table 6

		2021	2022	2021	2022	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4	Q3	Q4				
Inflation	% YoY	7.7	11.0	7.7	16.1	15.1	12.7	11.0		11.0	10.7	
Core inflation	% YoY	8.2	12.4	8.2	18.3	17.7	15.4	12.4		12.4	11.8	
Industrial production	3MMA, % YoY	4.2	-0.7	6.2	4.7	-3.1	-0.5	-1.6		-1.6	-1.8	
Fixed capital investment	Cumulative, % YoY	0.7		0.7	18.4	10.0	9.1					
Construction	3MMA, % YoY	7.3	-5.1	15.1	4.0	-10.9	-5.8	-5.0		-5.0	-3.0	
Housing commissioning	3MMA, % YoY	12.1	11.2	-3.7	64.9	8.6	9.5	-13.2		-13.2	-6.5	
Retail	3MMA, % YoY	4.4	-6.1	2.6	2.7	-9.2	-8.7	-7.3		-7.3	-5.6	
Commercial services	3MMA, % YoY	14.7	2.8	10.1	6.0	2.1	3.4	0.7		0.7	0.9	
Real wages	3MMA, % YoY	3.4	1.1	1.4	1.2	-4.7	2.6	4.1		4.1		
Real disposable income	% YoY	1.0	-1.1	1.2	-1.1	-3.3	-1.5	1.1				
Unemployment	SA, %	4.4		3.8	3.7	3.4	3.2	3.0		3.0	2.9	
Outstanding consumer loans	% YoY	18.1	1.6	18.1	13.6	5.1	3.5	1.6		1.6	1.4	
Outstanding mortgage loans	% YoY	21.1	16.5	21.1	22.2	13.7	14.0	16.5		16.5	16.2	
Funds in escrow accounts	% YoY	109	21.9	109	107	53.7	34.9	21.9		21.9	14.2	
Non-financial organisations' outstanding bank loans	% YoY	16.6	17.4	16.6	22.3	17.8	19.0	17.4		17.4		
• Large borrowers	% YoY	15.0	16.0	15.0	21.1	15.9	17.6	16.0		16.0		
• SMEs	% YoY	27.6	25.9	27.6	30.2	29.6	26.9	25.9		25.9		
Companies' price expectations	Balance of responses, SA	22.8	23.8	22.5	29.8	29.6	17.8	18.1		20.2	17.9	16.1
Business Climate Index	pp YoY	9.5	-4.9	7.8	-1.3	-11.7	-2.6	-3.8		0.8	-1.7	-0.5
• Current estimates	pp YoY	10.2	-4.1	5.2	1.3	-10.9	-2.7	-4.1		1.6	-1.8	-2.5
• Expectations	pp YoY	8.7	-5.7	10.4	-4.4	-12.5	-2.6	-3.6		-0.1	-1.6	1.9

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

Core indicators. Siberian Main Branch

Table 7

		2021	2022	2021	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4					
Inflation	% YoY	9.3	12.7	9.3	18.4	17.2	14.6	12.7	12.7	12.0	
Core inflation	% YoY	9.5	14.2	9.5	20.7	19.9	17.5	14.2	14.2	13.5	
Industrial production	3MMA, % YoY	3.0	0.7	6.8	5.3	2.0	-1.3	-1.5	-1.5	-2.6	
Fixed capital investment	Cumulative, % YoY	11.4		11.4	8.9	9.9	6.1				
Construction	3MMA, % YoY	14.0	10.5	17.2	17.7	7.2	9.7	10.2	10.2	10.7	
Housing commissioning	3MMA, % YoY	7.7	3.5	-11.0	87.5	10.5	6.2	-39.7	-39.7	-21.0	
Retail	3MMA, % YoY	7.1	-2.8	7.8	7.4	-5.7	-5.4	-5.7	-5.7	-5.3	
Commercial services	3MMA, % YoY	11.8	5.8	7.6	6.7	4.9	6.4	4.6	4.6	4.1	
Real wages	3MMA, % YoY	3.3	0.7	2.9	2.2	-4.6	0.8	2.4	2.4		
Real disposable income	% YoY	2.0	-1.4	3.2	-1.7	-2.3	-2.5	0.7			
Unemployment	SA, %	6.1		5.3	5.2	5.0	4.6	4.3	4.3	4.2	
Outstanding consumer loans	% YoY	20.5	3.7	20.5	16.1	7.2	4.9	3.7	3.7	3.4	
Outstanding mortgage loans	% YoY	25.8	17.3	25.8	26.9	17.1	15.0	17.3	17.3	16.9	
Funds in escrow accounts	% YoY	149	25.0	149	108	60.0	37.8	25.0	25.0	21.3	
Non-financial organisations' outstanding bank loans	% YoY	5.0	17.0	5.0	14.6	10.7	16.7	17.0	17.0		
• Large borrowers	% YoY	1.4	11.8	1.4	12.5	5.1	12.4	11.8	11.8		
• SMEs	% YoY	18.8	33.8	18.8	21.6	29.6	31.7	33.8	33.8		
Companies' price expectations	Balance of responses, SA	24.5	24.6	26.3	33.3	28.5	18.7	17.9	19.1	17.4	18.5
Business Climate Index	pp YoY	8.8	-3.6	6.5	-2.7	-9.3	0.2	-2.7	1.8	-0.2	2.4
• Current estimates	pp YoY	10.2	-4.2	6.0	-1.2	-10.5	-0.6	-4.7	2.1	0.5	1.8
• Expectations	pp YoY	7.3	-3.0	7.1	-4.3	-8.0	1.0	-0.6	1.4	-0.8	3.1

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

		2021	2022	2021	2022	2022	2022	2022	2022	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4	Q3	Q4				
Inflation	% YoY	6.7	11.9	6.7	13.4	14.1	12.5	11.9		11.9	11.8	
Core inflation	% YoY	6.7	14.0	6.7	15.1	16.5	15.3	14.0		14.0	13.7	
Industrial production	3MMA, % YoY	3.0	-5.4	-1.5	3.4	-7.8	-12.7	-5.2		-5.2	-3.6	
Fixed capital investment	Cumulative, % YoY	13.8		13.8	19.9	11.1	9.7					
Construction	3MMA, % YoY	-0.7	4.7	-21.6	-8.2	7.7	-3.9	16.9		16.9	22.9	
Housing commissioning	3MMA, % YoY	25.4	13.7	23.6	23.9	34.0	31.8	-6.6		-6.6	7.2	
Retail	3MMA, % YoY	5.6	-1.5	-1.2	1.2	-1.6	-1.4	-3.8		-3.8	-3.3	
Commercial services	3MMA, % YoY	13.2	-1.6	7.0	-0.7	-2.9	-2.6	0.3		0.3	-0.2	
Real wages	3MMA, % YoY	4.2	-2.5	4.2	0.3	-3.5	-3.0	-1.6		-1.6		
Real disposable income	% YoY	2.3	-2.2	1.8	-3.1	-1.2	-3.4	-1.3				
Unemployment	SA, %	4.6		4.4	4.3	4.0	3.8	3.5		3.5	3.3	
Outstanding consumer loans	% YoY	17.7	3.7	17.7	13.1	5.8	3.5	3.7		3.7	3.4	
Outstanding mortgage loans	% YoY	32.5	23.3	32.5	34.4	25.5	22.4	23.3		23.3	22.3	
Funds in escrow accounts	% YoY	162	34.0	162	133	95.4	67.5	34.0		34.0	25.3	
Non-financial organisations' outstanding bank loans	% YoY	18.0	18.9	18.0	8.5	10.7	13.2	18.9		18.9		
• Large borrowers	% YoY	17.0	21.0	17.0	4.4	6.2	12.8	21.0		21.0		
• SMEs	% YoY	21.8	11.0	21.8	24.8	28.2	14.7	11.0		11.0		
Companies' price expectations	Balance of responses, SA	19.1	21.0	21.3	25.9	25.9	15.5	16.6		16.1	17.6	15.7
Business Climate Index	pp YoY	7.3	-3.2	8.5	-0.7	-7.3	0.1	-4.7		-2.0	-1.0	-0.5
• Current estimates	pp YoY	8.4	-2.0	8.1	4.1	-6.6	-0.9	-4.5		-1.4	-4.5	-3.6
• Expectations	pp YoY	6.1	-4.4	8.8	-5.7	-7.9	1.2	-5.0		-2.6	2.3	3.3

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