



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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39
mln
people

MB for Central FD

Belgorod Region
Bryansk Region
Vladimir Region
Voronezh Region
Ivanovo Region
Kaluga Region
Kostroma Region
Kursk Region
Lipetsk Region
Moscow Region
Orel Region
Ryazan Region
Smolensk Region
Tambov Region
Tver Region
Tula Region
Yaroslavl Region
Moscow

14
mln
people

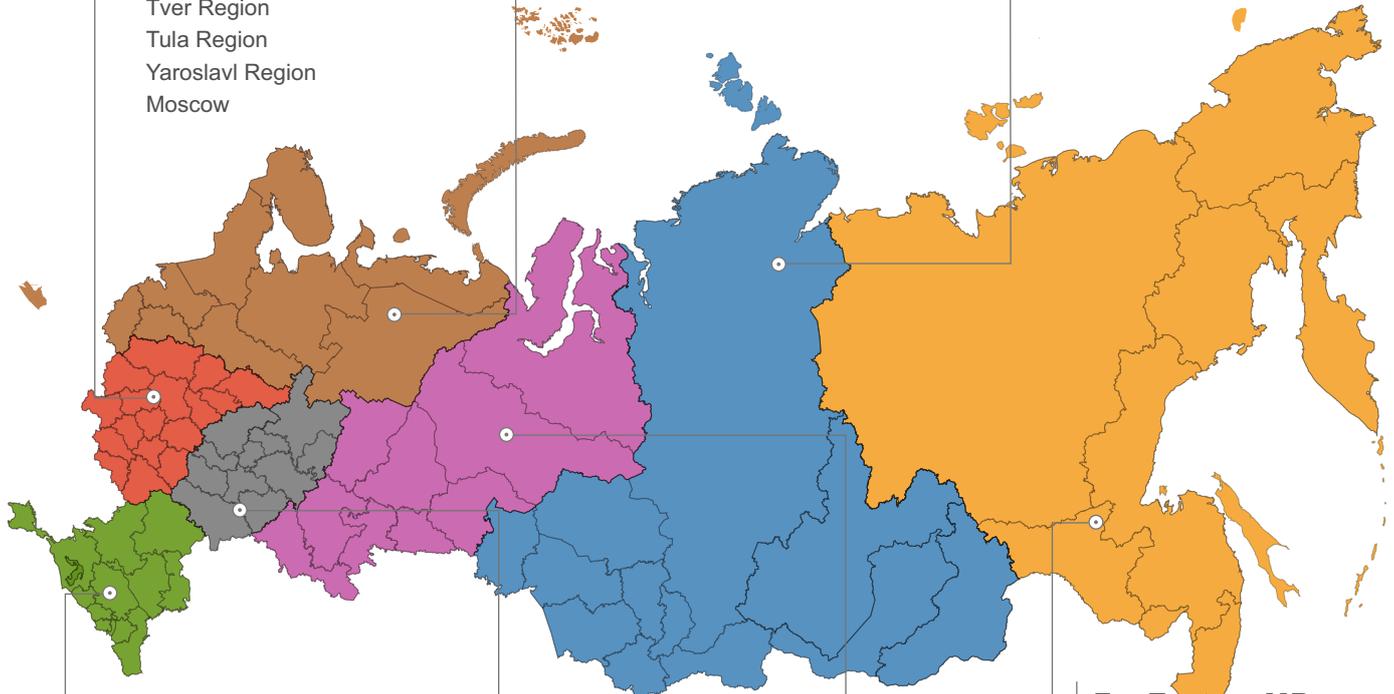
North-Western MB

Republic of Karelia
Republic of Komi
Arkhangelsk Region
Vologda Region
Kaliningrad Region
Leningrad Region
Murmansk Region
Novgorod Region
Pskov Region
Saint Petersburg
Nenets Autonomous Area

19
mln
people

Siberian MB

Altai Republic
Republic of Tyva
Republic of Khakassia
Altai Territory
Krasnoyarsk Territory
Irkutsk Region
Kemerovo Region
Novosibirsk Region
Omsk Region
Tomsk Region
Republic of Buryatia
Zabaikalye Territory



26
mln
people

Southern MB

Republic of Adygea
Republic of Kalmykia
Republic of Crimea
Krasnodar Territory
Astrakhan Region
Volgograd Region
Rostov Region
Sevastopol
Republic of Dagestan
Republic of Ingushetia
Kabardino-Balkar Republic
Karachay-Cherkess Republic
Republic of North Ossetia–Alania
Chechen Republic
Stavropol Territory

20
mln
people

Volga-Vyatka MB

Mari El Republic
Republic of Mordovia
Republic of Tatarstan
Udmurt Republic
Chuvash Republic
Kirov Region
Nizhny Novgorod Region
Penza Region
Samara Region
Saratov Region
Ulyanovsk Region

6
mln
people

Far Eastern MB

Republic of Sakha (Yakutia)
Kamchatka Territory
Primorye Territory
Khabarovsk Territory
Amur Region
Magadan Region
Sakhalin Region
Jewish Autonomous Region
Chukotka Autonomous Area

21
mln
people

Ural MB

Republic of Bashkortostan
Perm Territory
Kurgan Region
Orenburg Region
Sverdlovsk Region
Tyumen Region
Chelyabinsk Region
Khanty-Mansi Autonomous Area
Yamalo-Nenets Autonomous Area

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of over 13,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

This Report is prepared to be a reliable source of the most up-to-date information about regional development for addressing the objectives of monetary policy. It describes key trends in economic activity and pricing processes in Russian regions, as well as the identified effects of both country-wide and local factors. All this is an integral part of the information the Bank of Russia's management needs to make monetary policy decisions. This Report is considered by the Bank of Russia's management in the course of preparations for making key rate decisions.

¹ In April 2022, we surveyed 13,526 companies.

RUSSIAN FEDERATION

In March, inflation soared due to the ruble weakening and the surge in demand in the first half of the month. In the second fortnight of March–early April, consumer activity edged down. Companies faced disruptions in raw materials and components supplies and had to restructure their manufacturing processes, including the geography of supplies. Businesses' price expectations hit a record high. The tightening of monetary conditions cooled down individuals' demand for loans and promoted the inflow of households' funds into time deposits. After the Bank of Russia cut the key rate in the first half of April, banks started to reduce their credit and deposit rates.

Elevated demand for certain groups of products at the end of February–the first half of March reversed to a **decline in consumer activity** in late March–early April. Large purchases decreased most notably after soaring demand diminished, supplies contracted, and prices surged. For instance, auto dealers in the Central, North-Western, Siberian, and Volga-Vyatka macro-regions reported a reduction in the number of clients and a slump in sales. Companies in the Far East noted that demand shifted towards cheaper clothing, footwear, and housewares. Retailers expected consumer demand to plummet in the next few months. Nonetheless, representatives of the domestic tourism industry in Siberia, the North-West, and the South remained optimistic owing to active reservations. However, some regions complained about a decline in the number of hotel guests after a large international booking platform terminated its operation in Russia.

Overall, **business activity edged down**. Two-thirds of surveyed companies experienced import problems. Many manufacturers reported a shortage of raw materials, parts, and components. Companies sought to find alternative production and logistics chains for supplies and switched to domestic substitutes. Exporters searched new target markets (see the Box 'Changes in the geography of export and import supplies').

Annual inflation soared to 16.7% in March 2022. The monthly growth of consumer prices hit a record high since 1999. The increase in prices sped up in the first half of March, after which it started to decelerate. **Companies' price expectations reached the highest level** on record. Nevertheless, the start of the sowing campaign as scheduled and favourable harvest forecasts will probably reduce food price volatility (see the Box 'Progress of seasonal field work').

The rise in credit rates after the increase in the Bank of Russia key rate **cooled down credit activity**. Higher deposit rates boosted **the inflow of funds into time deposits**. Mortgage loans were mostly issued under government subsidised programmes. Changes in the government subsidised mortgage programme will support the demand for new housing, including in the Moscow and Saint Petersburg metropolitan areas.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Retailers and restaurants suspended the opening of new locations. Companies' price expectations reached a record high, exceeding the figures in other macro-regions. Petroleum products manufacturing declined due to lower demand. The food industry faced disruptions and cancellations of the deliveries of raw materials, spare parts for equipment, containers, and packaging. The increase in the maximum amount of a loan under the government subsidised mortgage lending programme will support demand in the Moscow housing market.

NORTH-WESTERN MAIN BRANCH. The paper and paper products industry started to manufacture new goods without using imported chemicals. Most automobile plants and some spare parts manufacturers suspended their operation due to the restrictions on components supplies from abroad. Tourism companies reported higher demand for travel to northern regions and stayed positive about the summer season.

VOLGA-VYATKA MAIN BRANCH. After foreign lessees exited the market and soaring demand for certain goods diminished, the number of visitors in shopping malls and public catering places there declined. As regards the automobile industry, changes in the external conditions entailed the suspension of foreign companies' operation and production downtime at plants manufacturing domestic cars. Due to logistics constraints, chemical producers reduced their exports and experienced difficulties with the imports of raw materials.

SOUTHERN MAIN BRANCH. The risk of a decline in employment is lower than generally across Russia owing to high demand for seasonal workers in tourism and agriculture. Textile manufacturers complained about a shortage of raw materials. Food enterprises faced an increase in logistics costs and a worsening of conditions for delivery payments.

URAL MAIN BRANCH. Key industries did not suspend their operation. Employment stayed unchanged, but the overall number of vacant jobs in the labour market edged down. Enterprises partially suspended exports of metal products to non-CIS countries. Machine-builders report delayed or cancelled deliveries of the prepaid imported machinery, equipment, and components, as well as a shortage of working capital due to mandatory advance payments under new contracts.

SIBERIAN MAIN BRANCH. From the middle of March, retailers reported that consumer demand for food, medicines, and electronics stabilised. Contrastingly, a surge in prices for new cars almost halted their sales. Amid high demand and prices, coal producers and metallurgical companies maintained positive trends, while rearranging their operation in the context of tighter sanctions. Some metallurgical holding companies reported increased risks of delays in and higher costs for investment projects.

FAR EASTERN MAIN BRANCH. Mining and quarrying enterprises complained about the suspension of equipment and spare parts imports, but this did not have a significant impact on output in March. Seaports switched to export containers and loose cargo. Expecting prices for raw fish to decline, fishing enterprises increased fish processing.

CORE ECONOMIC INDICATORS

		Date	Russia	Central FD	North- Western MB	Volga- Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MBs' percentage in inflation	%	2022	100	34	11	12	14	13	11	5
Inflation	% YoY	Mar22	16.7	16.6	17.1	17.1	16.6	16.1	18.4	13.4
Core inflation	% YoY	Mar22	18.7	18.9	19.3	19.7	17.1	18.3	20.7	15.1
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.										
Industrial production	3MMA, % YoY	Feb22	6.9	27.0	8.3	10.4	4.6	8.1	5.9	1.4
Fixed capital investment	Cumulative, % YoY	2021 Q4	7.2	14.8	-1.6	2.1	-0.1	-0.2	10.6	0.4
Construction	3MMA, % YoY	Feb22	6.3	3.7	-2.1	23.6	10.8	9.6	21.5	-27.6
Housing commissioning	3MMA, % YoY	Mar22	64.6	82.6	43.3	18.2	94.2	64.9	87.5	24.0
Retail	3MMA, % YoY	Feb22	5.0	5.5	7.3	5.9	4.6	4.4	6.1	1.1
Commercial services	3MMA, % YoY	Feb22	11.2	21.6	7.1	6.9	8.2	9.3	5.6	-1.6
Real wages	3MMA, % YoY	2021 Q4	4.8	7.4	2.6	4.4	0.9	2.5	4.6	4.2
Real disposable income	% YoY	2021 Q4	-0.7	7.2	4.7	-1.1	-1.1	-1.8	-0.2	-0.8
Unemployment rate	SA, %	Feb22	4.1	3.0	3.0	3.4	7.2	3.8	5.2	4.4
Outstanding consumer loans ²	% YoY	Feb22	20.0	21.0	19.3	19.4	21.9	17.9	20.5	17.4
Outstanding mortgage loans	% YoY	Feb22	27.4	29.5	27.2	24.1	31.5	21.9	26.9	33.8
Funds in escrow accounts	% YoY	Feb22	139	148	215	96	102	111	117	138
Non-financial organisations' outstanding bank loans	% YoY	Feb22	17.9	15.6	37.2	12.9	14.2	19.9	12.1	21.0
• Large borrowers	% YoY	Feb22	15.4	12.1	43.2	9.4	7.3	18.3	10.0	20.7
• SMEs	% YoY	Feb22	30.5	39.9	15.1	22.9	33.0	30.1	19.7	22.2
Companies' price expectations ³	Balance of responses, SA	Apr22	32.9	46.0	35.9	46.5	32.4	38.2	40.9	32.8
Business Climate Index	pp YoY	Mar22	-14.9	-16.9	-17.7	-15.6	-14.5	-14.7	-14.9	-7.3
• Current estimates	pp YoY	Mar22	-12.3	-13.5	-15.3	-14.4	-10.2	-14.0	-14.4	-3.0
• Expectations	pp YoY	Mar22	-17.7	-20.4	-20.2	-16.9	-19.2	-15.4	-15.4	-11.8

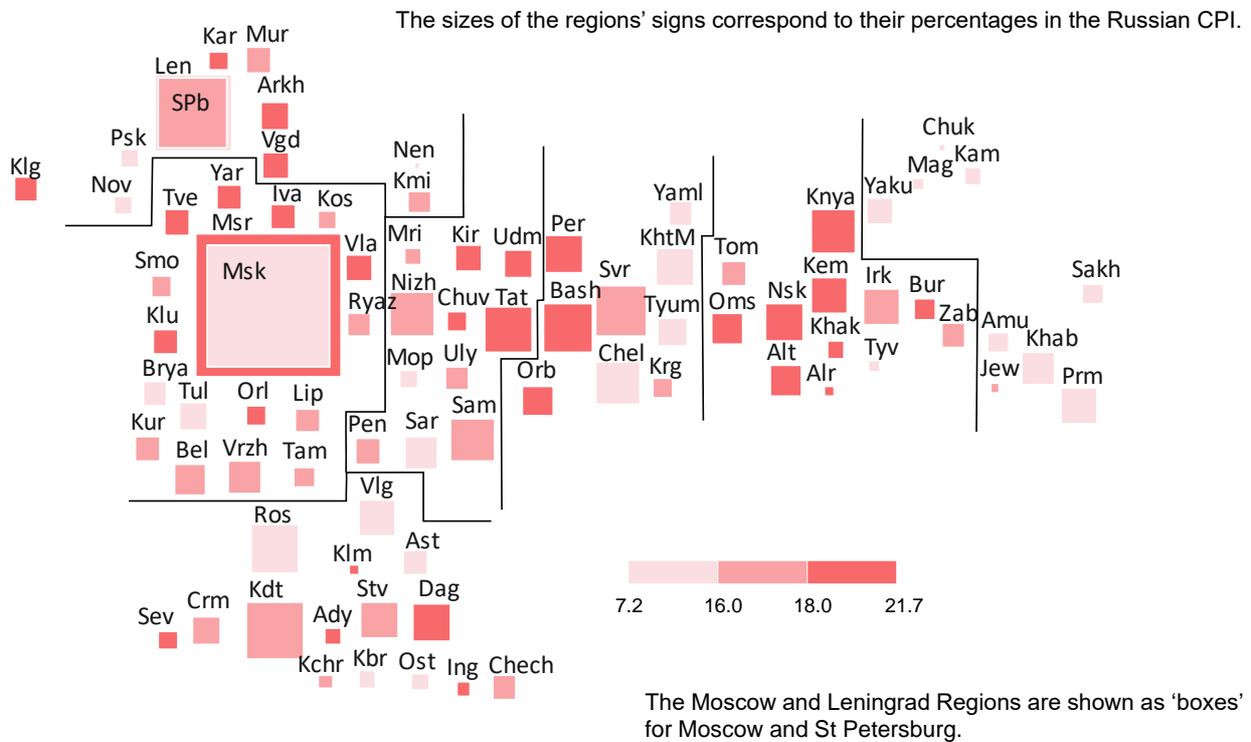
Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by the Bank of Russia Main Branches.

² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by resident borrowers' location.

³ The balance of responses is the difference between the percentages of responses 'will increase' and 'will decrease' to the question about expectations regarding prices in the next three months. Companies' price expectations and the Business Climate Index are based on the monitoring of businesses carried out by the Bank of Russia.

INFLATION IN RUSSIAN REGIONS

Price growth in March 2022, % on the same month last year



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

Ady	Republic of Adygeya	Kmi	Komi Republic	Ryaz	Ryazan Region
Altt	Altai Territory	Kos	Kostroma Region	Sam	Samara Region
Altr	Altai Republic	Kra	Krasnoyarsk Territory	Sar	Saratov Region
Amur	Amur Region	Krd	Krasnodar Territory	Sakh	Sakhalin Region
Arkh	Arkhangelsk Region (excluding Autonomous Area)	Krm	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 Daghestan	Msk	Moscow	Tyv	Republic of Tyva
Jew	Jewish Autonomous Region	Mur	Murmansk Region	Tyum	Tyumen Region (excluding Autonomous Areas)
Zab	Zabaikalye Territory	Nen	Nenets Autonomous Area	Udm	Udmurt Republic
Iva	Ivanovo Region	Nizh	Nizhny Novgorod Region	Uly	Ulyanovsk Region
Ing	Republic of Ingushetia	Nov	Novgorod Region	Khak	Khakassia
Irk	Irkutsk Region	Nsk	Novosibirsk Region	KhM	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	Orel	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	YaN	Yamalo-Neenets 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



The surge in consumer demand observed in Central Russia in the first half of March reversed to its sharp decline at the end of the month. Companies' expectations about demand worsened considerably. In March, inflation sped up, while enterprises' price expectations hit a record high. In April, the dynamics of these indicators decelerated. The tightening of retail lending conditions cooled down the market.

CONSUMPTION AND INCOMES. Consumer demand in Central Russia surged at the end of February—the first fortnight of March and then reversed downwards in the second half of the month. Specifically, in late March, retailers' daily turnover returned to the level of early February. Retail chains cancelled the restrictions on goods sales to one customer. Car sales plummeted in March. A large retailer reported higher input prices, the suspension of promotional campaigns, and disruptions in supplies. Trade enterprises' expectations about demand deteriorated significantly and turned predominantly negative for the first time since April 2020. Moreover, the cooling-down in retail lending also contains demand. Retailers and restaurants suspended the opening of new locations. According to surveys, 84% of companies are going to change their headcount in the next few months. Staff reductions are mostly planned by industrial, trade and transport companies.

PRICES. In March, seasonally adjusted inflation soared in the macro-region. This was mainly driven by the ruble weakening, disruptions in logistics channels, higher producer costs, supply contraction due to the exit of many foreign companies, a larger portion of fruit and vegetable imports, and soaring demand. Non-food goods containing imported electronic components, as well as open-field vegetables and foreign travel demonstrated the highest price growth rates. Companies' price expectations in Central Russia considerably rose in March, reaching a record high. Nonetheless, according to preliminary data, both inflation processes and expectations slowed down in April. Along with higher prices for raw materials and components, another key proinflationary factor for companies in all industries, especially in industrial production and construction, was the dynamics of the ruble exchange rate. Most companies in services (including those engaged in real estate operations, professional, scientific, educational, and technical activities), as well as transportation and storage do not expect prices to grow further.

MONETARY CONDITIONS AND BANKING SECTOR. Banks needed some time to adjust their lending procedures to the new conditions. The increase in market interest rates following the rise in the Bank of Russia key rate in February cooled down the retail lending market. At the end of March, the demand for subsidised mortgage loans surged as households expected price conditions under this programme to tighten since April 2022. As estimated by experts, the simultaneous increase in the maximum amount of a subsidised loan will expand the portion of new housing that may be purchased under the government programme (in Moscow – to 54%; in the Moscow Region – to 98%, in Ryazan – to 90%, in Voronezh – to 76%, and in Yaroslavl – to 63%) and will support the demand for mortgage loans. According to preliminary estimates, in March, double-digit return on deposits, as well as the cancellation of tax on income from bank

deposits for 2021–2022 promoted the inflow of households' funds into time deposits after the outflow over the last days of February. Following the reduction in the Bank of Russia key rate in April, banks started to revise their credit and deposit rates downwards.

HOUSING MARKET. The growth of prices for new and existing housing in the macro-region sped up. Demand soared. In the first half of March, experts recorded a considerable shrinkage of supply. However, by early April, supply in the macro-region's new housing market recovered, staying only slightly below the level of mid-February. Changes in the limit under the subsidised mortgage lending programme had a more significant positive impact on the new housing market in Moscow. Developers are refocusing on new markets of equipment and materials suppliers, which is first of all relevant for implementing business class projects having a substantial portion of imported components.

PETROLEUM PRODUCTS. The market of petroleum products in Central Russia recorded a contraction of exports due to the related sanctions. A decline in travels due to precautions could have a limiting effect on domestic demand. In contrast to the first two months of this year, motor petrol sales on the exchange in the macro-region declined in March year-on-year. Conversely, diesel fuel sales were up. According to experts, this could be because large buyers of petroleum products switched from direct contracts with oil companies to the practice of exchange transactions. Petroleum products manufacturing is adjusting to demand dynamics. According to the Central Dispatching Department of the Fuel and Energy Complex, Russian refineries reduced oil refining in March by 10.9% as compared to February. A regional refinery decreased its average daily refining volumes. Another refinery has already started seasonal repairs, cutting refining volumes in April.

FOOD MANUFACTURE. Changes in economic conditions amid the imposed sanctions caused a range of problems in the operations of the macro-region's food manufacturers. Companies complained about disruptions and cancellations of the deliveries of raw materials, spare parts, containers, and packaging, including due to cargo transportation problems. The weakening of the ruble in late February–early March and higher logistics costs spurred prices for containers and packages, equipment, raw materials and parts having imported components. Raw materials and equipment suppliers switched to full prepayment terms. Nonetheless, deferrals of payments from retailers remained. Consequently, enterprises faced cash gaps and a considerable rise in working capital costs. Most manufacturers are actively searching new suppliers in Russia and rearranging their logistics chains. The transition to domestic alternatives has already started. Specifically, dairy product manufacturers are considering alternative packaging amid a shortage of certain types of raw materials used to produce previous packages. The majority of respondents in the food industry continued to operate as normal at the end of March and were not planning to reduce their headcount. Furthermore, some companies reported an expansion of operations in the near future.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



In late March—the first half of April, retailers and public catering companies in the macro-region reported a slowdown in consumer activity. Car sales plummeted. Enterprises' price expectations remained high. Component supply problems affected the operation of the macro-region's car makers. Pulp and paper producers faced problems with raw materials supplies, but later on gradually adjusted to the new conditions, including by refocusing on the domestic market.

CONSUMPTION AND INCOMES. From the second fortnight of March, consumer activity in the macro-region declined gradually, after the earlier surge in demand when (in late February—the first half of March) the growth of sales of certain goods, namely non-perishable products, household appliances, medicines, cosmetics, furniture, and home improvement goods accelerated.

Shopping mall traffic decreased, including because a number of foreign retailers terminated their operation. Households' spending for public catering edged down in both shopping malls and expensive restaurants. Nonetheless, after a popular international fast food chain exited the Russian market, other fast food market players in Saint Petersburg noted a rise in sales. Moreover, one public catering company in the North-West plans to open 20 locations in Moscow.

The tourism industry reported higher demand for vacations in northern regions of the federal district in March–April. Tourism companies remained optimistic about the summer season and noted active reservations to the macro-region's destinations preferred for holidays during a high season, including owing to the tourist cashback programme.

PRICES. In March, annual inflation in the North-West soared to 17.1% from 9.4% in February, which was mainly due to the weakening of the ruble and the surge in households' demand for certain food and non-food products. As the impact of these factors diminished, inflationary pressure edged down somewhat in the second half of March–early April.

Companies in the North-West slightly lowered their price expectations in April, although they remained at the highest level. Among the reasons for expected price growth in the next three months, enterprises in the North-West reported higher prices for raw materials and components, a weaker ruble, and a rise in logistics costs. Nevertheless, expectations about a decline in demand limit a further increase in price expectations.

MONETARY CONDITIONS AND BANKING SECTOR. As price conditions tightened, corporate borrowers' demand for loans edged down. Concurrently, the demand for loan restructuring and government subsidised lending programmes trended upwards. Banks started to issue loans to small and medium-sized enterprises (SMEs) in the regions of the federal district under new subsidised programmes. The decrease in the Bank of Russia key rate in April and the government programmes implemented to aid enterprises will contribute to the recovery of activity in corporate lending.

Retail lending recorded a decline in March. As regards mortgage lending, loans were mostly issued under the transactions approved before the rise in credit rates. Nonetheless, following the reduction

in the Bank of Russia key rate in April, banks started to decrease interest rates on consumer and mortgage loans. Households' demand for housing will be also supported by the relaunch of the government subsidised mortgage lending programme. The changed terms of the programme will expand the range of real estate eligible for subsidised mortgage lending in Saint Petersburg and the Leningrad Region.

The growth of deposit rates in late February–March following the increase in the Bank of Russia key rate considerably pushed up households' demand for bank deposits. Nevertheless, interest rates on deposits edged down slightly, including due to the decrease in the Bank of Russia key rate.

AUTOMOBILE MARKET. Restrictions on component supplies significantly affected the output of the macro-region's car makers. From early March, three of the four automobile plants of the federal district announced the termination of production. After that, some spare parts manufacturers suspended their operation as well. A regional supplier of electric equipment for motor vehicles complained about problems with imports and soaring prices. Nonetheless, some component manufacturers in the industry preserved their investment plans and continue to supply spare parts to auto dealers. One of the largest automobile plants of the macro-region continues to produce cars of South Korean brands.

Car sales in the macro-region plummeted in March. Sales of new cars in Saint Petersburg decreased two times in annualised terms. A regional auto dealer noted a slump in demand. The drop was most significant beginning from the third ten days of March. According to some auto dealers, the stocks of cars and spare parts will last for two to three months, if supplies do not resume, and the stocks of individual items – for six months.

MANUFACTURE OF PAPER AND PAPER PRODUCTS. In March, the industry faced considerable constraints, including disruptions in imports of raw materials, equipment and components. Moreover, some target markets closed. Nonetheless, enterprises are gradually adjusting to the new conditions. Amid disturbances in supplies of bleaching chemicals, a number of producers in the macro-region started to manufacture unbleached eco-friendly printer paper and already began its shipments to consumers.

A large pulp producer is developing alternative technologies to manufacture its products using domestic chemicals. Furthermore, the enterprise started to develop its own bleaching chemicals. Some companies in the industry expect output to contract due to export problems. Refocusing on new target markets will moderate the impact of shrinking output. Specifically, a regional plant is going to move from European to Asian markets and has already switched to domestic chemicals. Another enterprise of the macro-region redirected a part of its kraft paper exports to the domestic market, while continuing its work towards the expansion of greaseproof and sack paper output.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



Changes in external conditions adversely impacted business activity in Volga-Vyatka in March—early April and caused a decline in output in the key industries. Companies started to adjust their production processes and logistics chains to the new environment. Higher uncertainty and inflation expectations entailed a temporary rise in households' demand for consumer goods and subsidised mortgage loans in March. Soaring demand, a weaker ruble, and supply-side problems spurred price growth.

CONSUMPTION AND INCOMES. The surge in consumer activity in early March increased shopping mall traffic and sped up the expansion of retail sales. Nevertheless, already in the second fortnight of March and April, consumer demand significantly decreased, remaining elevated only in the food segment. Besides, purchases of some non-perishable food products edged down due to the restrictions on goods sales to one customer, as well as the stocks already accumulated by households. Large purchases of non-food goods paused because price growth sped up and demand was satisfied during the boom.

The range of some imported products or those having imported components contracted (certain construction materials, expensive electronic devices and household appliances). Car showrooms reported a decline in sales. There was a decrease in traffic in large shopping malls where foreign lessees closed their stores. According to companies' estimates, up to one-third of retail areas may become available.

In March, consumption of services declined more significantly, than that of goods as households redistributed their spending. There was a reduction in the number of visitors in cultural organisations, cinemas, beauty salons, as well public catering locations, especially those in shopping malls. Some restaurants reported a nearly 50% slump in traffic, although it slightly recovered in late March. Demand in domestic and foreign travel plummeted. After an international booking platform terminated its operation, the number of hotel guests decreased. Nonetheless, tourism companies expect the situation to improve when consumers start to purchase summer tours.

PRICES. Annual inflation sped up to 17.1% in March. The ruble weakening pushed up prices for cars, electronic devices and household appliances, construction materials and furniture, fruit and other imported food products, as well as foreign travel. Additionally, price growth in late February—the first half of March was driven by increasing demand and supply gaps. Households' demand surged, logistics problems in commodity markets worsened, and settlements with counterparties became more complicated. According to weekly data, price growth slowed down notably in April as the ruble exchange rate strengthened and demand stabilised.

Companies' price expectations reached record highs in March, while declining in April. The portion of companies facing a rise in prices for raw materials and components decreased as well. However, supply disruptions was a matter of concern for over a third of respondents.

MONETARY CONDITIONS AND BANKING SECTOR. In March, a part of banks maintained the same conditions for the mortgage loan applications approved before the beginning of April, whereas others revised the terms already in early April. Due to higher uncertainty, some credit institutions suspended the consideration of mortgage loans applications. Moreover, banks started to shorten the effective period of approved applications. As a result of higher demand, mortgage loan amounts in March exceeded 2021 figures by over a third, but significantly declined already in early April.

At the end of February, Volga-Vyatka regions recorded an outflow of households' funds from banks. However, as deposit rates quickly responded to the increase in the Bank of Russia key rate, the demand for deposits edged up. Accordingly, the inflow of households' funds into bank deposits recovered. The reduction in the key rate on 11 April promptly translated into deposit rates as well, including in regional banks.

AUTOMOBILE INDUSTRY. From the beginning of March, supply in the industry dramatically contracted due to the external conditions and faster price growth.

Specifically, in early March, several foreign auto groups stopped production lines at their plants in Volga-Vyatka for an unknown period. Furthermore, a large domestic car manufacturer suspended production for a total of two weeks amid a reduction in electronic components imports. In this context, the automobile plant raised retail prices for its cars twice over the month. Consequently, as of the end of March, the auto group's retail sales contracted nearly by two-thirds in annualised terms. Due to persistent problems with components supplies, the company rescheduled the earlier planned three-week corporate holidays from July to April. According to market participants, the car maker does not plan to accept applications from dealers for May as the earlier demand was not satisfied. In summer, the enterprise is going to start assembling cars with a lower portion of foreign components in the mode of a part-time working week, as well as find alternative suppliers in Asia. Commercial vehicle manufacturers also experienced difficulties in production. Specifically, a domestic truck producer that was sanctioned reported that it switched to manufacturing previous-generation models due to problems with component imports.

CHEMICAL INDUSTRY. The trade and logistics restrictions imposed in March adversely affected companies manufacturing various types of chemicals. Namely, there was a reduction in exports (especially to Europe) of several large enterprises manufacturing ammonia, rubbers and related raw materials, as well as other organic and non-organic substances. Considering a significant portion of exports in the sales structure, this caused a slump in output by more than a half in March for one enterprise, a twofold decrease in output targets for April – for another, and the accumulation of inventories and high risk of unloading of production lines in the future – for the third one.

Furthermore, problems with imports induced difficulties with raw material supplies for manufacturers of rubbers, household chemicals, and other goods. Accordingly, they expect output to shrink either in the near future or in two–three months, as their stocks end. However, companies try to find possible solutions, e.g., a rearrangement of logistics chains, search for alternatives in global markets, as well as launching the production of necessary raw materials at domestic chemical enterprises.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In March—the first half of April, companies in the macro-region significantly worsened their estimates of the economic situation. Inflation sped up, driven by elevated consumer demand, disruptions in supplies, and a rise in producers' and suppliers' costs. As a result of part-time employment at certain enterprises, employees' incomes declined. Households' credit activity trended downwards as banks tightened price and non-price lending conditions. Due to the restrictions on imports, the majority of manufacturers are refocusing on other suppliers. Food enterprises maintain their current output as they have sufficient inventories.

CONSUMPTION AND INCOMES. According to up-to-date indicators, after surging in late February—early March, consumer demand edged down in April, especially in non-food retail. The main reasons were the depletion of stocks of certain goods amid interruptions in imports, higher prices, and a decrease in consumer lending amounts. Concurrently, direct sales channels are expanding. Seven regions of the Southern Federal District opened more fairs. The Krasnodar Territory increased supplies of socially important goods to distribution networks and retail centres. Ingushetia plans to open a wholesale distribution centre in June which will be the first one in the region.

As supplies and the number of orders contracted, companies introduced part-time employment schemes, which caused a decline in employees' incomes. A large car distribution centre in the Krasnodar Territory introduced a four-day working week for its employees cutting their wages proportionately. There was a decline in incomes in air and sea transportation: due to the restrictions on flights, employees of six airports in the Southern macro-region are forced not to work, and some companies in the Krasnodar Territory hiring staff to foreign vessels closed. According to the survey, one in ten companies in the macro-region introduced part-time employment schemes. Nonetheless, owing to high demand for seasonal workers in tourism and agriculture, the macro-region's risks of a considerable rise in unemployment are lower than generally across Russia.

PRICES. In March 2022, annual inflation in the South of Russia sped up by 7.1 pp, as compared to the previous month, reaching 16.6%. The monthly growth of prices (seasonally adjusted) trended upwards as well. This increase was driven by a weaker ruble and growing demand for certain products (non-perishable food products, cleaning products, cars, household appliances, and electronic devices) pushed up by rising inflation expectations amid the information about restrictions on supplies by some foreign companies. The need to change the geography of supplies spurred logistics costs. Specifically, an agroindustrial enterprise in the Krasnodar Territory expects costs to rise as it is forced to search new seed and agricultural machinery suppliers after European companies cancelled their supplies.

The growth of bakery prices sped up. A large bakery in the Crimea reported higher pastry prices due to rising costs for flour, sugar, and butter, as well as imported additives. To help bakers contain the growth of prices for their products, the Government increased subsidies beginning from March. The Krasnodar and Stavropol Territories are among the leaders by the amount of federal allocations. In late March—early April, the growth of consumer prices slowed down as soaring demand declined

and the ruble strengthened.

In April, the portion of companies expecting prices to go up slightly decreased month-on-month, while remaining considerably above February readings. The largest portion was recorded in trade.

MONETARY CONDITIONS AND BANKING SECTOR. Households' demand for consumer and mortgage loans edged down in March amid tightening bank lending conditions, including non-price terms. Mortgage loans were mostly issued under government subsidised programmes as market mortgage rates significantly increased. As regards consumer lending, the percentage of declined applications rose due to uncertainty about the future level of borrowers' financial standing. As reported by banks, the inflow of households' funds into time deposits expanded in March, driven by higher deposit rates. Furthermore, banks considerably improved the conditions on current and accumulative accounts at the end of March.

Corporate lending declined, predominantly due to higher credit rates and the worsening of the economic situation. As a number of banks suspended lending procedures because they were revising interest rates, they declined tranche disbursements to companies under the effective credit lines.

In April, following the reduction in the Bank of Russia key rate, banks started to cut deposit and credit rates.

FOOD INDUSTRY. According to the majority of surveyed companies, they have sufficient stocks of raw materials and technical resources to maintain the current level of output. A large juice and baby food manufacturer in the Volgograd Region plans to ramp up supplies inside Russia amid the suspension of investment by foreign competitors. A vegetable oil manufacturer in the Rostov Region plans a 10% increase in sunflower processing volumes at one of its facilities. However, some enterprises reported risks associated with a faster rise in prices for raw materials, packaging, and components, spurred by higher logistics costs and changes in the terms of payments for supplied goods. Overall, expectations about output and demand significantly worsened in March, plunging to their record low over the last several years. Some manufacturers of meat and dairy products are searching new supply channels for technologies and spare parts via third countries to be able to maintain foreign equipment. As reported by a sausage manufacturer in the Karachay-Cherkess Republic, it has sufficient stocks of imported raw materials for two months and is searching domestic alternatives.

TEXTILE INDUSTRY. Due to the sanctions, textile enterprises in the macro-region complained about a shortage of raw materials and were restructuring their manufacturing processes. Large clothing manufacturers in the Volgograd and Rostov Regions plan to switch from European to Turkish and Chinese fabrics; companies in the Stavropol Territory are going to arrange supplies of raw materials from Asia; and enterprises in Sevastopol intend to use domestic knitwear. One of the companies in the Krasnodar Territory (mostly manufacturing men's suits and shirts, and school uniform) faced problems with purchasing trims and accessories (its main suppliers were from the Czech Republic and Germany). It is now considering the possibility of switching to Chinese and Turkish alternatives. However, it will take some time (up to six months) to arrange logistics.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer activity in the macro-region predictably declined in the second fortnight of March–early April. Driven by a rise in deposit rates, the inflow of households' funds into time deposits resumed. The macro-region's companies continued their manufacturing processes, with part-time employment schemes applied only on a case-by-case basis. Metallurgical and machine-building enterprises actively searched new suppliers of raw materials, equipment, and components to replace those who refused to supply their products to Russia.

CONSUMPTION AND INCOMES. In the first half of March, consumer activity in the macro-region considerably exceeded last year readings, predominantly due to elevated inflation expectations and the weakening of the ruble. Spending for durable goods accounted for the largest portion in the structure of households' consumption. Many shopping malls reported an increase in traffic, driven by the easing of anti-pandemic restrictions and expectations of the closure of some foreign brands' stores. By the end of March, stocks in retail restored. Already in April, consumer activity expectedly declined, and the portion of expenses for basic goods edged up. Companies anticipate elevated demand for motor fuels, home and garden goods, domestic tourism services, as well as locally manufactured food. However, businesses generally expect a decrease in the demand for their products in the near future. Owing to the government support measures, the employment rate in the Urals remained almost the same. Some companies used part-time employment schemes on a case-by-case basis, e.g., in air transportation. The total number of vacant jobs in employment agencies decreased.

PRICES. In March, annual inflation in the Urals edged up to 16.1%, mostly driven by higher prices for non-food durables. This resulted from a surge in households' demand amid the ruble depreciation and the expected aggravation of problems with imports of cars, household appliances, and electronic devices, including due to the tightening of the sanctions. As many households were stocking up with products, this sped up the growth of prices for non-perishable food products. Amid the unprecedented increase in input prices and costs, companies suspended their promotional campaigns that had significantly driven retail chains' sales. In April, weekly price growth decelerated across the majority of product categories.

Companies' price expectations soared in March–April, reaching a record high since 2000. This rise was mostly driven by a temporary weakening of the ruble, a fast reduction in finished product inventories, higher risks to business activity, and surging logistics costs. Enterprises also complained about higher costs as they were forced to change counterparties and faced a manifold increase in mutual liabilities to make full prepayments for supplies under newly signed contracts. Nonetheless, the Russian Government implemented a range of measures to limit the growth of prices, including for metals, fuels, and mineral fertilisers.

MONETARY CONDITIONS AND BANKING SECTOR. The increase in deposit rates in early March promoted the inflow of households' funds into time deposits with banks. Lending to the non-financial sector on market terms declined considerably. There was a significant reduction in unsecured loans

issued to households. Mortgage loans were mostly raised under government subsidised programmes, whereas banks shortened the effective period of approved applications. The launch of such government programmes boosted SME lending. According to banks, the cancellation of VAT on precious metal purchases significantly increased households' demand for unallocated metal accounts. Following the reduction in the Bank of Russia key rate in April, banks started to revise their credit and deposit rates downwards.

METALLURGY. In March–April, metallurgical enterprises reported that they partially suspended non-CIS exports and faced difficulties with foreign currency transfers and tracking the actual settlements. According to their estimates, there is an oversupply of steel forming in the domestic market due to a reduction in oil and gas investment and lower demand for metals in construction and the automobile industry. This caused a decrease in prices for steel products, even without the effect of the administrative measures implemented to contain price growth. As reported by enterprises, the effective periods and prices of their contracts under investment programmes are to be adjusted as some of them were concluded with European firms (designers and equipment suppliers). As shown by surveys, in March–April, most companies manufacturing ferrous metal products did not plan to decrease output as they had concluded a sufficient number of contracts for supplies to the domestic market and CIS countries. Specifically, a large manufacturer launched full-scale production of rolled products with new-generation coatings. Another large manufacturer of rolled products supplied beams and channels in March for the construction of an electrometallurgical complex in the North-Western Federal District. Concurrently, companies are rearranging their transportation and logistics chains, searching new target markets, and diversifying sales.

MACHINE BUILDING. Ural machine builders mostly supply their products to the domestic market (including under state contracts) and CIS countries. Furthermore, many enterprises have already faced the pressure of sanctions before. On the one hand, they received more opportunities for selling their products after their foreign competitors exited the Russian market. A company from the Orenburg Region commissioned a new assembly and testing shop in March to produce drilling rigs that will considerably accelerate the assembly process. Several enterprises in the Perm Territory ramped up the output of oil production equipment. Furthermore, their capacities enable them to maintain imported equipment for oil producers. A company in Bashkortostan launched the development of an unmanned helicopter system. To perform this task, the company is hiring more employees. A machine-builder in the Kurgan Region announced a faster start of the full-scale production of innovative special forestry machinery. However, machine-builders report delayed or cancelled deliveries of the prepaid imported equipment, as well as a shortage of working capital due to more frequent requirements to make advance payments for raw materials and components.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In March–April, the majority of companies and industries in Siberia continued to operate steadily. Simultaneously, businesses were promptly rearranging their processes due to the sanctions, namely searching alternative suppliers and consumers. After the surge in the first half of March 2022 provoked by higher inflation expectations and a weaker ruble, consumer demand started to edge down by the end of the month.

CONSUMPTION AND INCOMES. In late March–early April, households' demand for food, electronic devices, and medicines adjusted downwards after the increase at the beginning of March. A sharp rise in prices for new cars almost halted their sales. According to an auto dealer, traffic shrank three to four times, whereas the showroom had a sufficient number of cars available. Contrastingly, certain industries still enjoyed high consumer activity. Furniture manufacturers reported an increase in orders, including due to a rise in households' inflation expectations. Local furniture companies attracted more customers, partly because of the termination of sales by a large international chain. The demand for construction materials was elevated. Siberian customers planning construction or repairs were purchasing them in advance, despite higher prices.

Recreation centres and health resorts reported an increase in the inflow of tourists and active reservations for the spring and summer seasons.

PRICES. In March 2022, annual inflation sped up to 18.4%, predominantly driven by higher non-food prices. Soaring demand, import problems, and fluctuations of the ruble exchange rate provoked a spike in prices for certain products. Price revisions became more frequent. A rise in the demand for non-perishable food products induced a temporary shortage of products in stores and restrictions on sales to one customer. In a number of regions, local authorities signed agreements with retail chains on limiting the increase in prices for basic goods, which might distort price signals. Fairs reopened.

In early April, the weekly growth of consumer prices slowed down.

Companies' price expectations are high for the next three months (while showing a downward trend since April). According to most enterprises, the rise in prices will be driven by higher costs for imported and domestic raw materials and components, more complicated logistics, and uncertainty about doing business. Amid plummeting demand, auto dealers focus on promoting the sales of used cars.

MONETARY CONDITIONS AND BANKING SECTOR. In March–April, banks reported higher demand for new loans from businesses under government subsidised programmes. The demand for working capital loans increased because many suppliers cancelled or reduced deferral periods for payments. Banks continued to expand retail lending, but mostly under the earlier approved loan applications. In April, following the decrease in the Bank of Russia key rate, a number of banks cut interest rates on retail loans, including mortgage loans. Overall, in 2022 Q2, banks expect the demand for loans to edge down in all categories of borrowers.

As estimated by banks, the situation with retail and corporate deposits is stable. After the surge beginning from late February, interest rates started to go down in April.

COAL MINING. In March–April, Siberian coal producers reported still favourable price trends in the global coal market, on the one hand, and European countries’ stronger anti-coal rhetoric, on the other hand (Europe accounts for 32% of coal exports).

Most coal producers maintained stable levels of output. However, they admit a possible forced reduction in coal output, including due to logistics problems (namely in seaports) and a lower priority of railway transportation of coal.

A large thermal coal producer ramped up its output. As of early April, the company had no cancelled orders for coal supplies. It is concluding new long-term contracts, with some of them already signed. As reported by another large enterprise supplying thermal coal to the domestic market, its output and shipments are in line with the targets for 2022. There are no problems with logistics or a shortage of rail cars. However, the company noted higher transportation costs, which might force it to revise coal prices.

A large anthracite producer continues to work as normal, performs all its contractual obligations, and expects no restrictions on railway transportation inside Russia, coal transshipment in seaports, and product supplies by sea transport. The company expanded shipments in the main region of its operation by a third over 2022 Q1.

Many coal producers formed inventories of components and spare parts to ensure smooth operation. They have new imported machinery. Their inventories will last from six months to one year (without direct supplies). Enterprises are searching solutions for logistics problems (the use of alternatives, imports through third countries).

METALLURGY. In March–April, Siberian metallurgical companies reported high demand and prices for industrial metals, on the one hand, but also some difficulties with supplies, on the other hand.

According to the Siberian division of the aluminium holding company, it continues production as normal. However, the restrictions on raw material imports involve the risk of underutilisation of production capacities in the future. The company is concerned about the possible suspension of supplies from a European plant. Nonetheless, losses can be offset with supplies from other countries. In particular, Chinese traders have already shipped the first pilot batches. The shipments of aluminium products were as scheduled.

The company has no concerns about repairs, spare parts, components, and purchases of new equipment owing to large inventories and alternative supply routes. However, there is emerging uncertainty about the implementation of investment programmes as possible disruptions in equipment supplies might cause delays and make projects more expensive.

The holding company plans another increase in wages to its employees by 10% on average beginning from March 2022.

As reported by another global leader in industrial metal production, it continues production and sales as normal as the demand for metals is still high in the market. However, it faces some logistics problems. Specifically, as a number of countries closed their airspace, there are difficulties with supplies of a rare metal. Nonetheless, the producer arranged supplies via alternative channels. The company maintains all its long-term investment plans and is actively searching new qualified employees. It plans to hire 11,000 persons to be engaged in new projects.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In the second half of March—the first half of April, consumer activity in the macro-region slowed down due to the growth of prices across a broad range of products and services. Businesses cancelled the earlier scheduled investment projects. Due to the refocusing of exports from western to eastern seaports, companies faced delays in and higher costs for railway cargo deliveries. Seaports switched from coal exports to containers and other cargoes.

CONSUMPTION AND INCOMES. After elevated demand for certain food products and non-food goods in late February—early March, consumer activity declined by mid-April to the level of May 2020. As a number of foreign companies suspended their operation in Russia, retailers reported that demand shifted towards cheaper Chinese clothing, footwear, and housewares. Public catering enterprises complained about lower sales in the takeaway segment due to higher prices. Cinemas recorded a twofold decrease in demand in March, as compared to February.

According to the survey carried out in early April, most companies do not plan staff cuts in the near future. However, some companies shortened the working week.

PRICES. In March, annual inflation sped up to 13.4%, which is a record high since December 2015, while still staying lower than generally across the country. The major contributor was a faster increase in prices for durable goods, namely cars and electronic devices. The main drivers were the weakening of the ruble and soaring demand amid limited supply due to the sanctions. In the second fortnight of March—early April, the growth rate of prices for these goods slowed down, while that of prices for meat products, cereals, and cleaning products accelerated.

The portion of enterprises reporting a negative effect of the exchange rate on their operation in April more than doubled as compared to February. After hitting a record high in March, price expectations edged down in April, most significantly – among retailers. Nonetheless, they stayed considerably higher than in February.

MONETARY CONDITIONS AND BANKING SECTOR. Bank lending conditions for all groups of borrowers tightened in March. Households' credit activity declined in both mortgage and consumer lending. As reported by a regional bank, disbursements of mortgage loans in March decreased two times year-on-year due to the contraction of the secondary housing market. The demand for mortgage loans in the primary market surged as interest rates under the subsidised programmes remained low. In the first ten days of April, banks raised interest rates under the Far Eastern Mortgage programme from 0.1% to 1.7% p.a. The increase in interest rates in early March promoted the return of households' funds to time deposits. Following the reduction in the key rate in April, banks cut their interest rates on deposits and retail loans by 3–5 pp.

Due to the restrictions on the operation of Visa and MasterCard in a number of Far Eastern regions, the demand for cards of the Chinese payment system was high in the middle of March. Furthermore, banks recorded a surge in households' demand for precious metals.

Corporates decreased their demand for investment loans. Although the need in working capital loans was high, demand was limited because of high interest rates. Credit institutions reported elevated demand for refinancing and loan restructuring and a rise in the number of applications under subsidised lending programmes.

MINING AND QUARRYING. After contracts for equipment imports from the USA, Europe, and Japan were suspended, a large coal producer decided to search equipment suppliers in China and Russia. As reported by the branch of a supplier of heavy vehicles from Japan, its inventories will last for three months.

The exit of American, British and Dutch companies from oil and gas projects on Sakhalin did not have any serious effect on output in March—the first ten days of April. In March, Indian oil refineries purchased the first batch of oil. All supply obligations under long-term contracts with Asian states were fulfilled.

In March, after a Canadian gold mining company announced its exit from the Russian market, gold mining in Chukotka was suspended. In April, it concluded a transaction to sell its business to a Russian company that declared its intent to continue operations.

CARGO TRANSPORTATION. In March—the first half of April, due to the refocusing of exports from western seaports to Far Eastern ones, companies in the macro-region reported that they had to wait longer for available rail cars and faced a rise in tariffs for their use. Costs for railway transportation from the West to the East surged more than four times in early April, as compared to the beginning of the year. As export cargo traffic expanded, rates for cargo transportation from the Vladivostok seaport to Chinese seaports increased by 20% in April month-on-month. Seaports in the Primorsky Territory reduced coal exports and refocused on operations with containers, fertilisers, and other cargoes previously transported via western seaports. To ensure coal exports, one of the railway border crossing points started to work 24/7 at the end of March.

Due to a reduction in import orders, the period of sea freight deliveries from China decreased two times in March, as compared to the beginning of the year. Expecting transit from China to western regions through Far Eastern seaports to expand, a large transportation company increased the capacity of container lines by 10% in April, as well as the frequency of a regular railway service on one of the routes.

FISHING AND FISH PROCESSING. By early April, Sea of Okhotsk pollock fishing exceeded last year readings by 4%. Products were mostly supplied to Southeast Asian countries under the earlier signed contracts. However, some fishing enterprises had to engage intermediaries to arrange supplies as direct exports became impossible. Japanese and American companies totally refused to accept Russian crab supplies. In 2022 Q1, fish product supplies from the Far East to Central Russia exceeded the figures of the same period in 2021 by nearly a fourth, including owing to subsidies for pollock and fillet transportation. A large enterprise in the macro-region expanded its fillet, mince and surimi output 1.5 times in 2022 Q1, as compared to the previous year. Another company, expecting wholesale prices for raw fish to go down, announced its refocusing on fish processing and fillet manufacturing.

Amid the ruble depreciation, wholesale prices for frozen pollock surged by 50% as compared to the beginning of the year. In April, as fisheries expanded supply and the ruble strengthened, prices started to edge down, while still remaining higher than in January–February.

BOX 1.

CHANGES IN THE GEOGRAPHY OF EXPORT AND IMPORT SUPPLIES

Economic sanctions imposed by a number of countries against Russia had a negative effect on foreign trade turnover. Companies faced problems as foreign counterparties refused to continue cooperation and suspended imports of components, equipment and raw materials. Moreover, logistics became much more complicated and expensive.⁴ Amid the contraction of output, some enterprises introduce part-time employment schemes. Over a half of companies dependent on imports plan to switch to domestic alternatives. Many of them try to cope with the difficulties that emerged by changing the geography and the product structure of exports and imports. Nonetheless, there is currently no concerns that domestic companies might exit the Russian market.

In 2021, seven countries, including China, Germany, the Netherlands, the USA, Turkey and Italy, accounted for over a half of Russian foreign trade turnover. The oil and gas sector and other primary industries, metallurgy, the chemical industry, forestry and wood processing, and agriculture make the largest portion in exports. Machine-builders, chemical manufacturers, and retailers are most dependent on imported equipment, components, raw materials, and finished goods. On the one hand, the introduced restrictions involve risks that companies might lose their share in some foreign markets, whereas, on the other hand, a number of industries thus unleash the potential for building up their production capacities to expand the output of goods supplied to the domestic market.

MINING AND QUARRYING

Oil and gas production. As American and a number of European companies suspended oil purchases from Russia, the majority of large Russian oil and gas producers started to actively redirect their exports to Asia. To mitigate the negative effect of the ban on supplying production equipment to oil and gas companies, there are now projects launched to manufacture similar equipment inside Russia. The Tver Region is commissioning the production of drilling systems, as well as oil and gas well workover rigs to substitute similar imported equipment. The Kurgan Region started to manufacture metal structures for the construction of oil pipelines, soil heat stabilisers, and special machinery for operations in challenging conditions.

Other minerals. As unfriendly countries banned imports of Russian diamonds, companies are gradually redirecting their supplies, e.g. to Asia. There are some cases of expanding the geography of coal exports. Specifically, a coal producer in Yakutia delivered the first pilot batch of coal to a new market in Southeast Asia. Nevertheless, coal producers in the Kemerovo Region report a reduction in coal output and shipments because the carrying capacity of the infrastructure of JSC Russian Railways is insufficient. Companies also complain about delays in money transfers for equipment, which sometimes causes disruptions in supplies. In their settlements, enterprises are switching from US dollars and euros to yuan and rubles. In addition to problems with settlements, a gold mining enterprise in the Amur Region and coal producers in the Kemerovo Regions face difficulties with imports of machinery used in mining that is mostly produced in the countries

⁴ According to the recent survey of companies carried out by the Bank of Russia on 23–29 March 2022.

that enacted sanctions against Russia. Mining companies are considering alternative logistics for equipment imports and the transition to domestic and Chinese machinery.

MANUFACTURING

Oil refining. Oil refineries were forced to reduce output as they lost their share in some target markets after unfriendly countries imposed sanctions on Russian oil imports. Due to difficulties with equipment imports, the Perm Territory suspended a large investment project for constructing an advanced oil refining unit to produce propylene. As regards the oil refining process, most companies plan to switch to domestic cracking catalysts.

Metallurgy. As the EU banned imports of Russian ferrous metals and ferrous metal products, metallurgical enterprises in the Urals started to change the geography of exports in March 2022. In particular, a large producer in the Orenburg Region rerouted its exports from Europe to Asia; a manufacturer of steel wire and ropes in Bashkortostan promptly redirected its supplies to the domestic market and CIS countries. Some companies were forced to suspend exports due to difficulties with foreign currency payments, as well as because transportation companies refused to deliver products abroad.

Among other problems, Siberian aluminium producers report restrictions on imports of aluminium oxide (alumina) used in production. Enterprises are considering alternative routes for raw materials supplies.

Machine building. Companies are searching alternative suppliers of components, mostly focusing on domestic manufacturers or imports from Asia and the CIS. Concurrently, some companies record a rise in the demand for their products. Specifically, a Kostroma enterprise is expanding the manufacture of cable products, while a Kursk company is increasing the output of spare parts for agricultural machinery. A machine-building plant in the Tyumen Region expects a rise in the demand for its products from domestic truck manufacturers. The Perm Territory accelerated the construction of aircraft engines.

In some cases, when it is impossible to deliver components and equipment directly from the EU and the USA, they are supplied via third countries to circumvent the imposed sanctions, which increases costs.

The problem with component supplies is most acute for the automobile cluster of the Central, Volga-Vyatka, North-Western and Urals Federal Districts. This drags down output and sometimes interrupts production processes. In particular, 17 plants in the Kaluga Region are idle; all automobile plants in Saint Petersburg suspended operation from March 2022; and an enterprise in the Kurgan Region reduced the output of buses.

Forestry industry. In the conditions of foreign sanctions, enterprises from Central Russia and the North-West consider opportunities for expanding their cooperation with Latin American, African and Asian states, as well as CIS countries, and plan to ramp up supplies to the domestic market. Siberian enterprises export timber products and pulp mostly to Asia. A plywood manufacturer in the Vladimir Region found domestic alternatives to imported isomer and oligomer mixtures.

Food consumer products. For the most part, the food market has sufficient quantities of domestic products. Nonetheless, domestically made food products are also manufactured using a high portion of imported components, namely equipment, packaging, and raw materials. Dairy product manufacturers in the Far East, Central Russia, and the South facing problems with packaging imports are negotiating with Russian suppliers of similar goods and use other ways for packing dairy products (for instance, by switching to polyethylene). Food enterprises of the macro-regions consider the exit of some foreign competitors from the Russian market as an opportunity for extensive import substitution. To cover the deficit of biologically active additives and medicines,

a company in the Stavropol Territory manufacturing edible and refined lactose is ready to ramp up its output exponentially. Bryansk cheese makers started to manufacture new products, as well as commissioned a line for manufacturing high-end cheese. Due to the closure of a Finnish plant, a large retail chain announced its plans to open its own coffee production in the Tver Region. As imports of raw materials and equipment were curtailed, beverage manufacturers in the Altai Territory and the Kostroma Region are arranging new logistics chains and searching alternative suppliers.

Non-food consumer goods. Consumer goods manufacturers have already faced a shortage of imported raw materials and components. Certain companies experience problems with selling goods as a number of large foreign retailers suspended their operation in Russia. Following the exit of European counterparties from the Russian market, consumer goods manufacturers and linen and cotton fabric manufacturers in the Kaluga Region switched to Turkish and Chinese fabrics and sell a part of their products to clothing manufacturers in Moscow and Saint Petersburg. Furniture manufacturers in Tatarstan started to purchase fittings in Asia. A textile enterprise in Vladimir experiencing a shortage of raw materials for finishing works found a new domestic supplier and is negotiating with potential raw material suppliers from CIS countries. A large retail chain selling construction materials and home improvement goods plans to increase the portion of domestic products to 80%.

AGRICULTURE

Many enterprises have faced problems with imports. The most frequent of them are difficulties with imports of sugar beet seed, stone fruit plant material, and fertilisers. To address emerging difficulties, agricultural enterprises seek opportunities to increase the portion of domestic materials. Specifically, a horticultural enterprise cultivating fruit and berries in the South of Russia plans to refocus on vegetable production as Dutch seed and fertiliser suppliers refused to continue cooperation. Agricultural companies in some macro-regions have substituted imported fertilisers for domestic alternatives. To decrease their dependence on imported equipment and agricultural machinery requiring maintenance and component replacement, agricultural enterprises are replacing some goods for domestic alternatives. In particular, the Nizhny Novgorod dealer of a large domestic manufacturer of agricultural machinery plans to replace Czech tyres for those produced in Altai. Domestic manufacturers of **indoor pot plants and flower material** received opportunities for expanding their output and the domestic target market due to the suspension of **flower** supplies from Holland.

Livestock producers are searching alternatives to imported feed components (amino acids, vitamins, and soybean meal), vaccines, hormones, and veterinary medicines in Belarus and China and replacing some goods for domestic ones. Breeding material imports in the **poultry** industry were not suspended, but logistics costs that tripled were fully passed through to consumer prices. A good example of import substitution is a large agricultural holding company in the Central Federal District that completed a systemic transition to locally produced hatching eggs and poultry parent stock.

As counterparties from unfriendly countries terminated the earlier signed contracts, Far Eastern **fishing** and fish-breeding enterprises have to search new target markets and ramp up output at fish processing plants. After European buyers refused to continue cooperation, a fish processing enterprise in the Kaliningrad Region expanded supplies to CIS countries and found solutions to its logistics problems. Namely, after foreign marine carriers refused to deliver Russian cargoes, the enterprise refocused on alternative routes.

Agricultural **export** from Central Russia to Middle Eastern countries, China, and the EAEU states that did not enacted any restrictions is partially complicated due to logistics problems caused

by the threat of seizure of rail transport and difficulties of navigation in the Black Sea induced by geopolitical tensions. Despite all these issues, the agroindustrial complex is expanding the geography of its exports. Specifically, the Kursk Region plans to export buckwheat, flour, and beet pulp to Africa.

SERVICES

Amid the restrictions on the operation of air and sea transport both inside Russia and to foreign destinations, some transportation companies suspended their work. Due to the closure of a number of airports in the South, a part of employees in the aviation industry were sent on mandatory leave. A similar situation is in one of the airports of the Moscow aviation hub. Yakut airlines terminated international flights. Contrastingly, the geography of flights inside the country is expanding. The exit of a foreign satellite communications company from the Russian market may become one of the factors limiting foreign tourism in Kamchatka.

Public catering companies in the Far East and Central Russia reported interruptions in food and beverage imports. Restaurants plan to search other foreign suppliers or switch to domestic alternatives.

There are examples of changes in the geography of foreign trade in the service sector. In particular, a manufacturer of cable products in Mordovia reported an increase in service exports explaining this expansion by the development of cooperation with Chinese enterprises.

Because of the sanctions, the key industries are refocusing on the domestic market, as well as Asian countries. However, imports from Asia may be much more expensive than from the EU due to longer delivery routes and cargo delivery periods. Companies have sufficient stocks of raw materials for several months that will enable them to continue operation. During this time, they plan to consider possible solutions to the existing problems and find new suppliers and new target markets. A number of regions, including Tatarstan, Bashkortostan, Karelia, as well as the Ryazan, Ulyanovsk and Chelyabinsk Regions established import substitution centres helping manufacturers find domestic alternatives to previously imported goods. The Moscow Region launched an online platform for searching components needed for the production cycle among Moscow suppliers and EAEU partners. Furthermore, to support foreign trade, regional authorities present proposals on expanding the list of systemically important enterprises, issue subsidised loans, grant subsidies, reduce tax rates, extend tax payment periods, and provide support in searching new contacts in other foreign markets. According to some enterprises in the machine industry which is most dependent on imports, the substitution of foreign components for supplies from friendly states will take approximately 18 months, whereas the launch of domestic production of key components will require nearly three years.

BOX 2.

PROGRESS OF SEASONAL FIELD WORK

In 2022, Russian regions started seasonal field work somewhat earlier than on average in previous years. Harvest forecasts are optimistic owing to the good condition of winter crops and the expansion of areas for certain crops. Agricultural enterprises report that they have sufficient stocks of seed, fuels and lubricants, mineral fertilisers, and crop protection chemicals for the current agricultural year. However, changes in settlement procedures, logistics channels, and uncertainty about supplies of seed, machinery, and crop protection chemicals might have a negative effect on the progress of seasonal field work in the future. The earlier surge in costs for crop sowing can push up prices. The adverse impact of these factors will manifest itself most significantly in the 2022–2023 agricultural year.

According to the preliminary estimates by Russia's Ministry of Agriculture, grain and grain legume harvest this year will total 123 million tons, which is 1.3% more year-on-year, but 1.6% below the five-year average (nearly 125 million tons). Industry experts give higher forecasts: if weather conditions are favourable, Russia's harvest this year will reach 128–129 million tons of grains, including 83–84 million tons of wheat.

According to Russia's Ministry of Agriculture, over 96% of the winter crop areas are in a good or satisfactory condition. The regional authorities of the agroindustrial complex also report that winter crops are in a better condition as compared to last year and the multi-year average.

In 2022, crop areas are expected to exceed 81 million hectares, which is one million hectare more than in the previous year. The spring sowing area is projected to be 53.6 million hectares (+3% YoY). The total area of grains and grain legumes may be almost 48 million hectares, which is 2% more than in 2021. The wheat crop area will expand by 3% to 29.5 million hectares, and the barley crop area will remain the same as last year (approximately 8 million hectares). Furthermore, the rape crop area is expected to increase; rapeseed is needed to manufacture edible and industrial oil, and rape products are used as animal feed. As regards Central Russia in particular, agricultural enterprises in the Voronezh, Belgorod, Kostroma, Lipetsk and Tambov Regions plan to expand their crop areas for potatoes and open-field vegetables. Contrastingly, the rye crop area is expected to decrease by over 10% to 0.9 million hectares.

SPECIFICS OF FIELD WORK IN 2022

Spring sowing in the South of Russia started in the second and third ten days of March, and in other regions – in April. The soft winter enabled the Crimea and the Stavropol and Krasnodar Territories to start field work earlier than usual. Conversely, some regions in Central Russia began seasonal field work seven to ten days later due to the cold weather. A large number of regions in the Volga Federal District also started spring sowing one week later. By mid-April, as the weather conditions changed, the pace of sowing became similar to the multi-year average. **Spring sowing in 2022 is carried out amid a rise in prices for material and technical resources, largely driven by movements of the ruble exchange rate. High dependence on imported machinery and spare parts, as well as seed of certain crops has a negative effect. According to the unions of agroindustrial producers, costs for sowing in 2022 will soar by 20–40%, which will affect output prices. Approximately 80% of spring field work is financed owing to subsidised loans.**

As credit funding is inadequate, costs increased, and manufacturers of production facilities for the agroindustrial complex mostly switched to full prepayments, agricultural enterprises face a deficit of working capital. Additionally, an adverse impact is caused by disruptions in logistics chains and delays in seed and equipment deliveries. These factors predominantly affect 2022–2023 sowing as procurements are made in advance for the most part. Currently, the majority of foreign companies do not refuse to supply durable means of production for the Russian agroindustrial complex. However, if they curtail their supplies, it would be impossible to substitute many imported goods in the medium term. In order to support agriculture, the Government decided to subsidise up to 100% of the key rate on loans issued to purchase agricultural machinery and equipment and implement investment projects for constructing and upgrading seed selection and genetic selection centres.

WINTER CROPS

As of early April, winter crop areas for the 2022 harvest totalled 19 million hectares, which is slightly less than last year. Due to a soil moisture deficit during the autumn sowing period in 2021, some regions in the Volga and Urals Federal Districts reduced their winter crop areas. Agricultural enterprises in Central Russia preserve the structure of their winter crop areas (wheat accounts for nearly 90% of the crop areas). Crop feeding with fertilisers is carried out as normal. The winter crop areas in the main grain growing regions are in a good condition. The only exception is Bashkortostan where over a third of the winter crop areas are in a bad condition. In Central Russia, the portion of crop areas in a poor condition does not exceed 10%, in contrast to more than 60% last year. The South of Russia reports good crop vegetation. As water availability in the soil is high, this is a positive factor for harvest. Only a small number of regions have concerns that a tenth of the winter crops will not sprout or will be in a poor condition.

Wheat. The winter wheat areas totalled 17 million hectares, which is slightly less than last year. The winter wheat area in the Volga Federal District is 4% larger than in 2021 and 10% larger than the five-year average. As water availability in the soil was low in the Urals, agricultural enterprises, mostly in the Tyumen and Kurgan Regions, decided to reduce their winter wheat areas for the 2022 harvest.

Rye. The largest winter rye area is in the Volga Federal District where the portion of winter crop areas in a bad condition is about 7% on average. Bashkortostan with one of the largest rye crop areas has a high portion of winter crop areas in a poor condition due to the dry weather during autumn sowing. Most rye-growing regions have nearly sufficient quantities of grain seed, whereas Russian regions on average have approximately 70% of the quantities they need.

Rape. The winter rape areas are record large, namely 460 million hectares, which is 19% more than in the last season. For instance, the Bryansk Region that accounted for nearly a fourth of Russian rape last year expanded its winter rape areas for the 2022 harvest by more than 70%. The winter rape areas are mostly in a good and satisfactory condition, with less than a tenth of the crop areas being in a poor condition.

SPRING CROPS

Agricultural enterprises have sufficient means of production for spring sowing this year. The situation with fuels and lubricants, mineral fertilisers, and crop protection chemicals (CPCs) is generally stable across the country. To cover the needs of the industry in ammonium nitrate, the Government prohibited its exports to non-EAEU countries until 1 May. Siberian agricultural enterprises reported that some manufacturers refused to import CPCs.

They are considering the possibility for purchasing alternatives in China, but it will take time to arrange logistics. The machine and tractor fleet is ready to start field work. Many agricultural enterprises in Central Russia completed an extensive upgrade of their fleet last year, namely the Lipetsk and Tambov Regions purchased over 900 and more than 500 agricultural machines, respectively. Regional budget allocations enabled companies in the Kostroma Region to buy over 700 modern machines over the last three years. However, a rise in machinery prices forced some agricultural enterprises in the Leningrad Region to cancel their plans for purchasing tractors, trucks, and combine harvesters. A possible solution to the problem is the use of Belarusian machinery, which was chosen by the Novgorod Region, for instance. Concurrently, due to soaring demand for domestic and Belarusian alternatives, there is a deficit of machinery and a waiting list for supplies. Ural agricultural enterprises complain about a shortage of spare parts and consumables for machines. The Nizhny Novgorod Region might face difficulties with regard to a third of its machinery fleet produced in unfriendly countries, but the stocks of spare parts for spring sowing this year have already been formed.

The main risk for the harvest of this season and especially the 2022–2023 season is a potential decline in technological capabilities of the industry as it will need to substitute imported raw materials and means of production, which might entail a decrease in harvest. In the 2022–2023 season, problems with grain seed might become more acute. **To grow grains and grain legumes, agricultural enterprises use over 70% of Russian seed.** Agricultural enterprises might face such problems as a lower affordability and an insufficient quantity of CPCs, specialised machinery, and spare parts. Already now, there is a surge in prices for agricultural machinery and transport, including for domestically made machines, as well as spare parts for them. **Wheat. The portion of Russian seed used in wheat growing is nearly 100%.** If some regions experience a shortage, seed may be purchased in donor regions (e.g., the Voronezh and Belgorod Regions).

Barley. A number of Russian regions, specifically the Primorsky Territory, started spring barley sowing. **According to the regional authorities of the agroindustrial complex, Russian agricultural enterprises have sufficient quantities of grain seed.** The only exception is the Urals having about 90% of the required quantity.

Potatoes and vegetables. As new potato processing companies entered the market during this season, the potato crop area is planned to be expanded by more than 5% across Russia in general. The crop areas for open-field vegetables are also expected to increase by over 5%, including owing to incentives of the Ministry of Agriculture. The southern regions which are the leaders by the output of open-field vegetables (the Astrakhan and Volgograd Regions) plan to expand their crop areas by 4%. To increase the level of locally produced cabbage, onions, and carrots, Ingushetia plans to repurpose over 70% of the crop areas used for growing cucumbers and tomatoes.

Agricultural enterprises are concerned that they might face problems with imports of certain varieties and hybrids due to the sanctions, although currently their seed stocks are sufficient. Specifically, some vegetable producers in the Primorsky Territory complain about a shortage of carrot and beet seed due to the termination of supplies. Yakut enterprises also report difficulties with seed purchases. They plan to substitute imports for seed bred in the Primorsky Territory. Companies have at least 90% of the required quantities of potato and open-field vegetable seed for sowing this year. Nonetheless, their dependence on imported seed is still high, namely 80–90%. Foreign companies mostly sell integrated solutions: a certain crop variety together with specialised machines, without which harvesting will not be as efficient. If imports of means of production are terminated, this might significantly affect future harvest. Crimean agricultural enterprises report that the harvest of Russian potato and vegetable seed is four times

lower as compared to imported seed. Agricultural companies also find it complicated to import CPCs due to the limited number of customs stations where they must be cleared. There are lines of vehicles at the checkpoints, which delays deliveries.

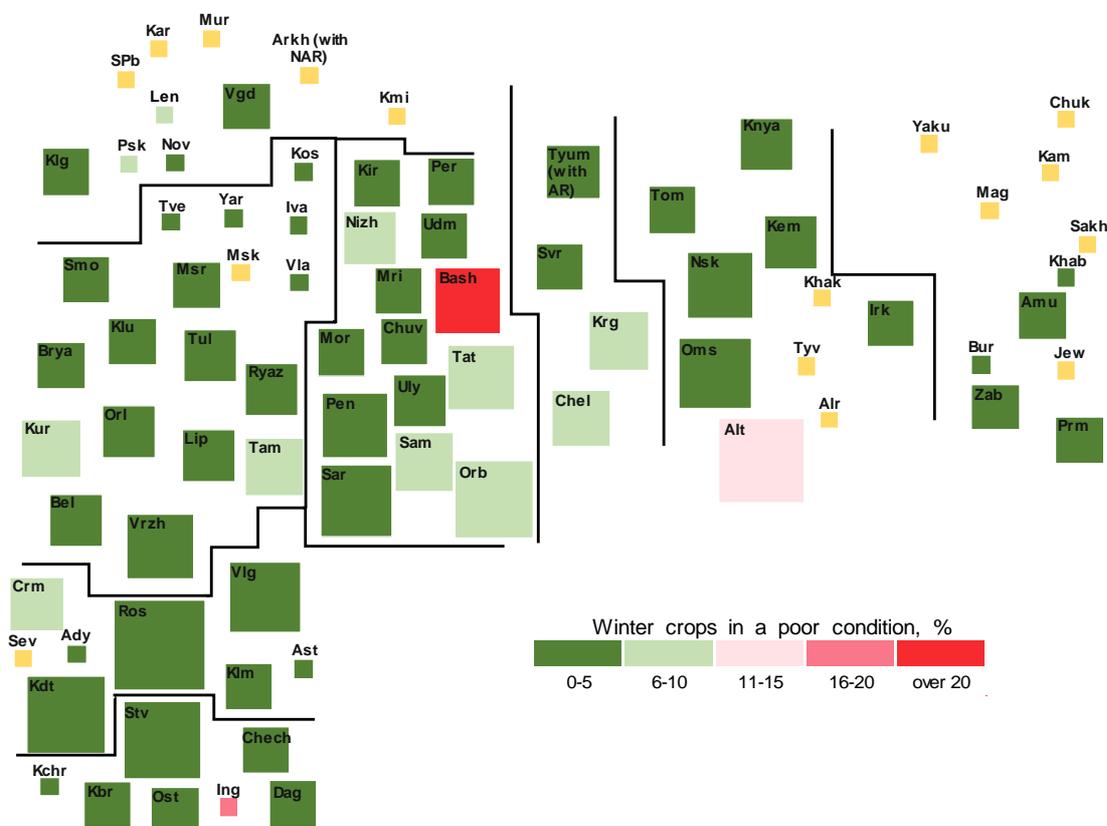
Sugar beet. The sugar beet areas may be expanded to 1.1 million hectares in 2022, which is 9.5% more than in the previous year. According to the regional authorities of the agroindustrial complex, the sugar beet areas are expected to increase most significantly in Central Russia (+8%), including in the Belgorod, Voronezh, Lipetsk and Tambov Regions. A serious problem for sugar beet producers is their high dependence on imported seed (the portion of domestic seed is as little as 2%). **Enterprises prepared sufficient quantities of seed for this season in advance.** Russian regions are taking efforts to increase the output of sugar beet seed. Specifically, the Lipetsk Region opened a plant in 2021 planning to produce over 500,000 seed units a year by the summer of 2022, which might cover nearly a half of Russian agricultural enterprises' needs. A Voronezh Region company produces competitive sugar beet hybrids, and some of them will be available for sowing already next year.

Sunflowers. The sunflower crop areas are expected to decrease (by 7% to 9.1 million hectares in 2022) amid high stocks, whereas the areas of other oil crops will expand. The reduction in the sunflower crop areas is planned in the Central, Volga and Southern Federal Districts which are the main sunflower producers. Due to a high portion of foreign seed, enterprises have a slightly lower percentage of the required quantity of sunflower seed, as compared to other crops. Although companies' contracts should enable them to receive totally sufficient quantities of sunflower seed, some regions report disruptions in seed imports due to logistics problems. **Nonetheless, most producers purchased adequate quantities of seed in advance. Therefore, there are no significant risks for sunflower sowing this year.** At the end of last year, the Voronezh Region launched the first production line at one of the largest enterprises to produce sunflower seed.

Rape. The rape crop area is forecast to be 12% larger than in 2021, namely over 1.5 million hectares. Rape harvest might surpass the level of 2021 and total 3.1 million tons. Agricultural enterprises in the Central Black Earth Region report some problems with rape seed due to a low level of locally produced seed. A large agroindustrial holding company in Irkutsk anticipates that it might face difficulties during the 2022–2023 sowing campaign with purchasing rape hybrids produced in Germany. **Nonetheless, companies purchased seed for this sowing campaign in advance.** Overall, Russian enterprises have more than 90% of the required quantities of rape seed. There is uncertainty about rape seed supplies in the future due to higher prices and the need to search new logistics solutions.

Chart 1. Condition of winter crop areas in early April 2022, %

The sizes of the regions' signs correspond to the sizes of crop areas of grains and grain legumes



Note: the regions without crop areas or with small crop areas of grains and grain legumes are highlighted in yellow; the sizes of the regions' signs correspond to the sizes of crop areas of grains and grain legumes in the 2021–2022 agricultural season.
Source: the regional Ministries of Agriculture.

Quantities of grain seed as of early April 2022, % of annual needs

Agricultural crops	Federal districts							
	Central FD	North-Western FD	Southern FD	North-Caucasian FD	Volga FD	Urals FD	Siberian FD	Far Eastern FD
Grains and grain legumes	105.8	105.4	103.1	99.3	103.3	99.4	100.6	102.0
Sunflowers	84.8	–	82.9	98.2	92.2	79.8	87.6	100.0
Sugar beet	82.8	–	95.7	94.5	88.0	–	97.5	–
Potato	95.5	115.0	97.2	95.5	93.1	100.5	103.5	98.8
Open-field vegetables	87.3	95.4	90.8	98.1	97.0	90.7	72.7	95.0

Note: the dash means that a crop is not sown.
Source: the regional Ministries of Agriculture.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.9	8.4	5.8	6.5	7.4	8.4	16.7	9.2	16.7	
Core inflation	% YoY	4.2	8.9	5.4	6.6	7.6	8.9	18.7	9.7	18.7	
<p>The shaded lines present 2021 data compared against the same period in 2019. This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.</p>											
Industrial production	3MMA, % YoY	-2.1	5.3	1.7	2.7	1.4	6.2		6.9		
Fixed capital investment	Cumulative, % YoY	-0.5	7.7	7.6	6.6	4.9	7.2				
Construction	3MMA, % YoY	0.7	6.0	5.6	6.0	4.7	9.7		6.3		
Housing commissioning	3MMA, % YoY	0.2	12.7	20.2	22.3	39.7	2.1	64.6	12.4	64.6	
Retail	3MMA, % YoY	-3.2	7.3	3.5	4.9	4.7	2.6		5.0		
Commercial services	3MMA, % YoY	-14.6	14.1	-5.4	-3.0	-1.7	-0.4		11.2		
Real wages	3MMA, % YoY	3.8	2.9	7.4	5.2	3.7	4.8				
Real disposable income	% YoY	-2.4	3.4	-0.9	0.6	3.6	-0.7				
Unemployment rate	SA, %	5.8	4.8	5.6	4.9	4.4	4.3		4.1		
Outstanding consumer loans	% YoY	7.0	19.5	7.4	15.7	18.1	19.5		20.0		
Outstanding mortgage loans	% YoY	21.6	26.7	23.2	29.0	26.7	26.7		27.4		
Funds in escrow accounts	% YoY	–	158	525	452	288	158		139		
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	7.2	10.4	11.8	14.6		17.9		
• Large borrowers	% YoY	7.4	12.3	4.4	6.7	9.9	12.3		15.4		
• SMEs	% YoY	21.9	27.5	24.6	32.1	22.7	27.5		30.5		
Companies' price expectations	Balance of responses, SA	13.3	20.1	17.0	21.0	20.9	21.8	29.6	22.1	41.9	32.9
Business Climate Index	pp YoY	-7.8	9.7	11.1	16.9	3.7	6.3	-9.3	-15.6	-14.9	
• Current estimates	pp YoY	-8.4	10.5	8.3	24.8	3.9	6.5	-5.7	-6.7	-12.3	
• Expectations	pp YoY	-7.0	8.8	14.0	7.9	3.5	6.2	-13.2	-25.4	-17.7	

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

Core indicators. Main Branch for the Central Federal District

Table 2

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.7	8.3	5.7	6.4	7.4	8.3	16.6	9.3	16.6	
Core inflation	% YoY	4.2	9.0	5.5	6.6	7.9	9.0	18.9	10.0	18.9	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	10.2	22.8	32.9	27.5	26.7	52.8		27.0		
Fixed capital investment	Cumulative, % YoY	1.2	14.8	20.1	17.7	13.4	14.8				
Construction	3MMA, % YoY	6.7	4.4	16.3	7.5	7.4	16.0		3.7		
Housing commissioning	3MMA, % YoY	-0.8	14.3	2.6	18.0	25.7	3.0	82.6	13.3	82.6	
Retail	3MMA, % YoY	-2.1	9.1	6.2	8.8	8.3	5.3		5.5		
Commercial services	3MMA, % YoY	-17.7	20.3	-10.7	-0.4	3.4	1.8		21.6		
Real wages	3MMA, % YoY	4.2	3.8	10.4	5.7	5.9	7.4				
Real disposable income	% YoY	-1.3	5.6	0.5	0.4	7.4	7.2				
Unemployment rate	SA, %	3.9	3.5	4.0	3.6	3.2	3.1		3.0		
Outstanding consumer loans	% YoY	5.2	20.0	5.7	14.2	18.0	20.0		21.0		
Outstanding mortgage loans	% YoY	24.4	29.1	25.4	32.5	29.7	29.1		29.5		
Funds in escrow accounts	% YoY	-	171	499	468	306	171		148		
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	8.4	10.0	10.5	13.1		15.6		
• Large borrowers	% YoY	10.6	10.0	7.0	6.9	8.1	10.0		12.1		
• SMEs	% YoY	15.2	36.6	20.2	33.6	29.9	36.6		39.9		
Companies' price expectations	Balance of responses, SA	18.7	29.6	23.3	35.1	30.6	29.5	37.1	28.5	55.3	46.0
Business Climate Index	pp YoY	-7.2	9.7	11.2	18.8	2.6	6.1	-9.8	-16.4	-16.9	
• Current estimates	pp YoY	-7.3	10.7	7.5	25.9	2.3	7.3	-5.4	-6.0	-13.5	
• Expectations	pp YoY	-7.1	8.4	15.2	10.7	3.0	4.9	-14.7	-27.7	-20.4	

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

Core indicators. North-Western Main Branch

Table 3

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.8	8.5	5.4	6.6	7.3	8.5	17.1	9.4	17.1	
Core inflation	% YoY	4.0	8.9	5.2	6.7	7.3	8.9	19.3	10.1	19.3	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.6	4.6	2.0	-1.4	-0.3	6.1		8.3		
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	-6.9	-4.6	-2.1	-1.6				
Construction	3MMA, % YoY	-7.3	0.3	-8.9	-7.0	-11.3	-1.4		-2.1		
Housing commissioning	3MMA, % YoY	-2.9	13.3	38.7	25.3	109	-41.2	43.3	-13.3	43.3	
Retail	3MMA, % YoY	0.2	9.9	7.7	12.0	12.1	9.4		7.3		
Commercial services	3MMA, % YoY	-15.4	14.2	-4.5	-3.8	-4.6	-0.4		7.1		
Real wages	3MMA, % YoY	2.1	3.0	4.8	5.0	2.8	2.6				
Real disposable income	% YoY	0.3	3.8	0.4	4.9	5.1	4.7				
Unemployment rate	SA, %	5.0	3.9	4.6	4.0	3.6	3.3		3.0		
Outstanding consumer loans	% YoY	6.9	18.7	6.9	15.4	17.2	18.7		19.3		
Outstanding mortgage loans	% YoY	22.0	26.5	23.1	28.8	26.1	26.5		27.2		
Funds in escrow accounts	% YoY	–	255	673	585	438	255		215		
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.2	9.1	14.2	21.5	28.2		37.2		
• Large borrowers	% YoY	1.9	32.5	0.0	3.0	24.1	32.5		43.2		
• SMEs	% YoY	52.1	11.0	60.6	70.9	9.9	11.0		15.1		
Companies' price expectations	Balance of responses, SA	17.0	23.5	20.0	25.0	24.4	24.7	30.8	26.7	40.2	35.9
Business Climate Index	pp YoY	-7.6	10.3	11.0	16.1	5.9	8.2	-10.0	-17.3	-17.7	
• Current estimates	pp YoY	-8.0	12.0	9.7	23.5	6.4	8.3	-6.3	-9.5	-15.3	
• Expectations	pp YoY	-7.1	8.4	12.3	7.9	5.3	8.2	-14.0	-25.4	-20.2	

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

Core indicators. Volga-Vyatka Main Branch

Table 4

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	5.5	8.6	6.2	6.7	7.6	8.6	17.1	9.4	17.1	
Core inflation	% YoY	4.7	9.4	5.9	7.1	8.1	9.4	19.7	10.2	19.7	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.0	7.8	3.1	5.5	3.1	8.3		10.4		
Fixed capital investment	Cumulative, % YoY	-3.0	2.1	10.2	5.2	2.4	2.1				
Construction	3MMA, % YoY	-2.0	14.1	5.6	16.2	12.1	9.9		23.6		
Housing commissioning	3MMA, % YoY	-5.9	8.5	25.7	-3.3	17.4	-17.1	18.2	21.2	18.2	
Retail	3MMA, % YoY	-4.4	6.1	0.1	3.3	2.9	0.8		5.9		
Commercial services	3MMA, % YoY	-10.6	9.8	-0.9	-3.2	-3.5	-0.1		6.9		
Real wages	3MMA, % YoY	3.3	3.2	5.6	4.7	3.8	4.4				
Real disposable income	% YoY	-2.2	1.9	-3.8	-0.4	2.4	-1.1				
Unemployment rate	SA, %	4.9	4.0	4.5	4.0	3.7	3.5		3.4		
Outstanding consumer loans	% YoY	7.1	19.2	7.3	16.2	17.9	19.2		19.4		
Outstanding mortgage loans	% YoY	19.7	23.0	21.4	26.2	24.1	23.0		24.1		
Funds in escrow accounts	% YoY	-	105	435	326	182	105		96		
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	2.0	6.6	13.4	11.8		12.9		
• Large borrowers	% YoY	-2.5	9.0	-3.6	2.1	12.9	9.0		9.4		
• SMEs	% YoY	24.3	19.9	22.4	21.5	15.1	19.9		22.9		
Companies' price expectations	Balance of responses, SA	18.5	29.0	23.0	32.7	30.9	29.5	36.6	27.1	53.6	46.5
Business Climate Index	pp YoY	-9.7	10.0	11.4	19.3	3.1	6.2	-10.0	-15.1	-15.6	
• Current estimates	pp YoY	-10.1	11.5	8.6	27.2	4.3	6.0	-8.5	-9.7	-14.4	
• Expectations	pp YoY	-8.9	8.2	14.2	10.3	1.8	6.5	-11.7	-21.0	-16.9	

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

Core indicators. Southern Main Branch

Table 5

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	5.5	9.2	6.6	7.3	8.6	9.2	16.6	9.5	16.6	
Core inflation	% YoY	4.2	9.1	5.6	6.7	7.8	9.1	17.1	9.4	17.1	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-0.3	4.4	6.0	4.0	5.3	1.8		4.6		
Fixed capital investment	Cumulative, % YoY	0.4	-0.5	20.3	5.3	1.3	-0.1				
Construction	3MMA, % YoY	-3.4	10.1	7.1	-4.1	5.8	12.3		10.8		
Housing commissioning	3MMA, % YoY	5.9	13.7	10.4	20.5	42.1	3.8	94.2	11.9	94.2	
Retail	3MMA, % YoY	-3.3	9.5	6.4	6.2	6.3	4.8		4.6		
Commercial services	3MMA, % YoY	-8.4	16.8	6.8	6.4	7.5	7.4		8.2		
Real wages	3MMA, % YoY	1.9	0.6	5.2	4.0	0.0	0.9				
Real disposable income	% YoY	-1.3	2.3	1.8	-2.8	5.2	-1.1				
Unemployment rate	SA, %	8.7	7.9	8.8	7.9	7.3	7.1		7.2		
Outstanding consumer loans	% YoY	7.5	21.1	7.2	15.6	18.6	21.1		21.9		
Outstanding mortgage loans	% YoY	23.7	30.7	26.5	32.0	31.0	30.7		31.5		
Funds in escrow accounts	% YoY	-	120	660	458	262	120		102		
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	3.5	10.7	7.0	13.7		14.2		
• Large borrowers	% YoY	0.3	8.4	0.0	9.5	1.8	8.4		7.3		
• SMEs	% YoY	13.9	28.5	14.0	14.2	22.5	28.5		33.0		
Companies' price expectations	Balance of responses, SA	15.0	20.3	16.7	20.6	21.0	22.3	29.0	20.1	44.5	32.4
Business Climate Index	pp YoY	-7.2	8.8	12.5	16.7	1.6	4.3	-9.3	-12.2	-14.5	
• Current estimates	pp YoY	-8.7	11.0	9.4	28.0	1.4	5.2	-4.9	-1.4	-10.2	
• Expectations	pp YoY	-5.3	6.1	15.8	3.4	1.8	3.5	-14.0	-24.1	-19.2	

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

Core indicators. Ural Main Branch

Table 6

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.4	7.7	5.2	6.1	6.7	7.7	16.1	8.2	16.1	
Core inflation	% YoY	4.0	8.2	5.0	6.3	7.1	8.2	18.3	8.7	18.3	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-2.4	6.6	1.1	4.0	2.3	8.2		8.1		
Fixed capital investment	Cumulative, % YoY	0.1	-0.3	1.3	1.5	-1.0	-0.2				
Construction	3MMA, % YoY	8.8	3.5	6.0	19.4	16.5	8.5		9.6		
Housing commissioning	3MMA, % YoY	2.9	12.1	19.9	27.7	32.2	-8.6	64.9	2.7	64.9	
Retail	3MMA, % YoY	-4.1	4.1	0.2	2.8	-0.7	-2.4		4.4		
Commercial services	3MMA, % YoY	-15.5	11.5	-4.5	-6.3	-8.8	-3.5		9.3		
Real wages	3MMA, % YoY	3.6	1.7	4.6	4.0	1.7	2.5				
Real disposable income	% YoY	-2.9	0.5	-3.7	-3.0	-2.0	-1.8				
Unemployment rate	SA, %	5.7	4.4	5.3	4.5	3.9	3.8		3.8		
Outstanding consumer loans	% YoY	7.8	18.1	7.8	8.1	16.1	16.8		17.9		
Outstanding mortgage loans	% YoY	17.8	21.1	17.8	19.4	24.5	21.1		21.9		
Funds in escrow accounts	% YoY	-	109	520	420	228	109		111		
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	3.9	2.3	10.4	12.6		19.9		
• Large borrowers	% YoY	1.1	15.0	1.1	-0.6	7.7	11.1		18.3		
• SMEs	% YoY	26.0	27.6	26.0	26.2	29.7	23.0		30.1		
Companies' price expectations	Balance of responses, SA	14.7	22.7	17.4	23.6	27.3	22.5	30.3	27.1	37.7	38.2
Business Climate Index	pp YoY	-9.5	0.8	11.7	17.2	4.5	7.8	-8.5	-14.6	-14.7	
• Current estimates	pp YoY	-8.2	2.6	9.7	24.3	3.9	5.2	-5.3	-7.7	-14.0	
• Expectations	pp YoY	-10.7	-1.1	13.5	9.3	5.1	10.5	-12.0	-22.1	-15.4	

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

Core indicators. Siberian Main Branch

Table 7

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	4.9	9.3	5.8	6.8	7.8	9.3	18.4	10.4	18.4	
Core inflation	% YoY	4.4	9.5	5.2	6.6	7.9	9.5	20.7	10.8	20.7	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-3.7	2.9	-3.2	-4.2	0.7	2.2		5.9		
Fixed capital investment	Cumulative, % YoY	0.9	9.6	3.8	8.1	6.1	10.6				
Construction	3MMA, % YoY	-0.5	13.9	4.6	12.6	8.1	24.2		21.5		
Housing commissioning	3MMA, % YoY	0.3	7.7	11.9	11.6	45.1	0.1	87.5	26.8	87.5	
Retail	3MMA, % YoY	-3.3	5.2	1.4	2.3	3.1	1.6		6.1		
Commercial services	3MMA, % YoY	-10.5	9.5	-1.1	-2.4	-3.7	-0.2		5.6		
Real wages	3MMA, % YoY	3.4	2.4	4.8	5.0	3.7	4.6				
Real disposable income	% YoY	-1.0	0.6	-6.2	2.1	1.9	-0.2				
Unemployment rate	SA, %	7.7	5.3	7.1	6.4	5.7	5.3		5.2		
Outstanding consumer loans	% YoY	9.1	20.5	9.8	18.0	19.9	20.5		20.5		
Outstanding mortgage loans	% YoY	18.9	25.8	20.8	26.3	25.1	25.8		26.9		
Funds in escrow accounts	% YoY	–	149	617	502	322	149		117		
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-2.1	-3.1	-2.2	5.0		12.1		
• Large borrowers	% YoY	1.8	1.4	-7.6	-9.3	-6.3	1.4		10.0		
• SMEs	% YoY	19.5	18.8	23.6	25.7	15.7	18.8		19.7		
Companies' price expectations	Balance of responses, SA	15.7	24.3	18.5	26.8	25.8	26.4	34.5	28.4	50.1	40.9
Business Climate Index	pp YoY	-7.2	9.5	10.8	15.7	5.1	6.3	-9.5	-18.3	-14.9	
• Current estimates	pp YoY	-8.3	10.4	8.1	22.5	5.6	5.4	-7.1	-9.3	-14.4	
• Expectations	pp YoY	-5.9	8.3	13.5	8.0	4.6	7.3	-11.9	-28.1	-15.4	

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

Core indicators. Far Eastern Main Branch

Table 8

		2020	2021	2021	2021	2021	2021	2022	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	5.0	6.7	5.3	5.4	6.1	6.7	13.4	7.4	13.4	
Core inflation	% YoY	3.9	6.7	4.6	4.9	5.7	6.7	15.1	7.6	15.1	
The shaded lines present 2021 data compared against the same period in 2019 . This is a more informative comparison to show the extent of the rebound than year-on-year as fluctuations over 2020 were significant.											
Industrial production	3MMA, % YoY	-4.5	2.8	-2.0	0.0	-6.0	-1.1		1.4		
Fixed capital investment	Cumulative, % YoY	-8.6	9.8	-2.5	0.2	-1.4	0.4				
Construction	3MMA, % YoY	-9.4	-4.5	13.8	-13.0	-21.2	-15.3		-27.6		
Housing commissioning	3MMA, % YoY	3.4	25.4	29.5	39.7	41.0	21.7	24.0	18.3	24.0	
Retail	3MMA, % YoY	-2.6	4.7	2.0	6.5	1.1	-1.5		1.1		
Commercial services	3MMA, % YoY	-18.2	6.0	-2.4	-15.7	-14.8	-15.0		-1.6		
Real wages	3MMA, % YoY	2.9	3.2	1.4	4.3	1.0	4.2				
Real disposable income	% YoY	-1.6	1.3	-5.1	-1.0	1.5	-0.8				
Unemployment rate	SA, %	5.4	4.6	4.9	4.5	4.7	4.3		4.4		
Outstanding consumer loans	% YoY	9.2	17.7	9.7	17.0	18.8	17.7		17.4		
Outstanding mortgage loans	% YoY	23.8	32.5	25.1	30.2	30.9	32.5		33.8		
Funds in escrow accounts	% YoY	-	162	603	408	303	162		138		
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	34.0	38.2	33.4	18.0		21.0		
• Large borrowers	% YoY	32.7	17.0	37.7	42.9	36.3	17.0		20.7		
• SMEs	% YoY	30.4	21.8	21.0	22.6	22.7	21.8		22.2		
Companies' price expectations	Balance of responses, SA	14.3	19.0	15.2	19.6	19.6	21.7	26.4	19.8	39.0	32.8
Business Climate Index	pp YoY	-7.5	8.0	6.8	12.1	6.0	7.2	-4.8	-10.9	-7.3	
• Current estimates	pp YoY	-9.1	9.6	4.6	18.2	7.3	8.3	0.0	-0.9	-3.0	
• Expectations	pp YoY	-5.8	6.3	9.0	5.2	4.7	6.3	-9.9	-21.6	-11.8	

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