



Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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

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

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

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



HOW DO WE COLLECT INFORMATION?

An important source of information for the Report is the monitoring of nearly 14,000 non-financial companies¹ carried out by the Bank of Russia Main Branches. It provides high-frequency data on the development of industries in all Russian regions. These data are combined with information received by the Bank of Russia Main Branches, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneurs' associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

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

¹ In August 2022, we surveyed 14,041 companies.

RUSSIAN FEDERATION

In July–August, consumer prices continued to edge down on average (seasonally adjusted) in the majority of regions. This was associated with moderate demand and expanded supply in certain food markets. The time-lagged effect of the pass-through of the ruble strengthening in 2022 Q2 to consumer prices persisted. This also contains the rise in costs. Companies' price expectations across the economy in general declined to the two-year minimum, although staying above the pre-pandemic level. Easing monetary conditions propped up households' and businesses' demand.

Consumer activity bounced back slowly in July–August, while remaining lower year-on-year. Retail sales were limited due to a decline in households' real incomes. Retailers reported that demand shifted towards cheaper goods and organised more frequent promotional campaigns and sales to attract buyers. In the second half of summer, supply-side constraints eased slightly owing to parallel imports, the arrangement of new supply chains, and import substitution. The value of commercial services stayed above the previous year's level and continued to increase, most notably – in tourism. Higher prices for foreign travel and restrictions on flights to a number of countries considerably boosted the tourist flow and hotel occupancy rates in the North-West, the South, Siberia, and the Far East.

In July–August, consumer prices continued to decline on average (seasonally adjusted). This trend was associated with the pass-through of the ruble strengthening in 2022 Q2, moderate consumer demand for non-food goods, and expanded supply of agricultural crops. Households' and companies' inflation and price expectations decreased.

Overall, changes in economic activity were explained by a reduction in households' real incomes, lower investment activity due to high uncertainty, and declining external demand because of the sanctions, on the one hand, and higher logistics costs, sanction restrictions on imports, and the exit of foreign companies from the Russian market, on the other hand (see the Box '*Lower economic activity: impact of demand- and supply-side factors*'). In particular, **some export-oriented industries still face difficulties** continuing to redirect sales to new markets (see the Box '*Logistics and export possibilities of Russia's economy amid structural changes*'). A part of enterprises hit by the disruption of foreign trade relations resumed their operations as they established new cooperation in the changed conditions.

Unemployment stays close to its record low, including because companies use part-time employment schemes and reduce the variable component of remuneration. Concurrently, the transfer of redundant workers to enterprises experiencing staff shortages became faster.

Monetary conditions continued to ease. Lower market rates and a more active implementation of various subsidised lending programmes positively influenced corporate and retail lending. As to the deposit market, households continued to transfer their funds from time deposits to current accounts due to declining interest rates.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Shopping mall traffic in Moscow contracted below the pandemic level of 2020. Metallurgical enterprises were entering new markets, while offering significant discounts to buyers. Livestock breeding complexes faced difficulties due to disruptions in imports of genetic materials and the epizootic situation. There are still risks of staff reductions in foreign-owned companies or enterprises critically dependent on imports.

NORTH-WESTERN MAIN BRANCH. Due to declining incomes, households' demand for used goods was up. The tourist flow significantly increased in many regions, and companies launched additional flights and opened new accommodation facilities. The utilisation rate of production capacities at forestry enterprises remained low amid contracting external demand. Nonetheless, employees of companies in some regions started to return to work after an idle period.

VOLGA-VYATKA MAIN BRANCH. In some shopping malls, the premises previously rented by product sellers were leased out to the services sector. Amid the redistribution of labour resources and the expansion of import substitution, some enterprises complained about a deficit of qualified specialists. The output of less advanced car models increased. Contrastingly, the output of commercial vehicles continued to shrink.

SOUTHERN MAIN BRANCH. The restoration of the macro-region's economy was driven by elevated demand in tourism and higher output in agriculture. The current output in machine-building stopped to decline. Agricultural enterprises have sufficient quantities of seed, fertilisers, and crop protection chemicals for winter sowing.

URAL MAIN BRANCH. As export opportunities are limited and competition in the domestic market strengthened, metallurgical companies reduced output and prices for their products. Although export restrictions were eased, fertiliser manufacturers still faced logistics problems associated with product exports. Developers started to launch again new projects for constructing apartment buildings in response to recovering demand for housing.

SIBERIAN MAIN BRANCH. Auto dealers decreased prices not only because of weak demand, but also due to the resumption of cheaper imports through neighbouring countries. Coal output contracted even more as exports to Europe terminated. Sales of non-ferrous metals declined below their output, which entailed an increase in finished product inventories. Pharmaceutical companies ramped up investment in production.

FAR EASTERN MAIN BRANCH. Shipment problems, the unfavourable environment in the global market, and higher costs caused a reduction in oil and gold production. Due to a high utilisation of railway infrastructure, cargo traffic was partially redirected to inland water transport. As cargo traffic increased, the region was implementing transport infrastructure development projects.

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	July22	15.1	15.5	14.4	15.7	15.5	14.3	16.5	13.6
Core inflation % YoY	July22	18.4	19.1	18.3	19.1	18.3	16.9	19.0	15.9
Industrial production 3MMA, % YoY	July22	-1.8	-1.2	-2.1	-1.0	-0.4	-2.1	0.4	-12.1
Fixed capital investment Cumulative, % YoY	2022 Q1	12.8	8.2	3.4	12.8	1.8	18.4	8.9	19.9
Construction 3MMA, % YoY	July22	3.4	10.4	-0.3	5.9	10.3	-11.1	5.6	-8.6
Housing commissioning 3MMA, % YoY	July22	14.4	13.6	2.3	24.0	20.9	8.5	17.4	22.4
Retail 3MMA, % YoY	July22	-9.5	-12.8	-10.6	-7.4	-5.7	-8.5	-4.3	0.2
Commercial services 3MMA, % YoY	July22	1.4	-1.5	2.3	3.4	2.2	2.9	5.9	-3.1
Real wages 3MMA, % YoY	June22	-5.5	-7.2	-5.1	-4.5	-5.7	-4.7	-4.6	-3.9
Real disposable income % YoY	2022 Q2	-1.9	-3.9	-2.3	-2.0	-2.0	-2.9	-2.3	-2.3
Unemployment SA, %	July22	3.9	3.1	3.2	3.1	6.3	3.3	4.8	4.0
Outstanding consumer loans ² % YoY	July22	6.0	7.3	5.3	4.4	7.2	4.5	6.2	4.7
Outstanding mortgage loans % YoY	July22	17.7	19.4	17.6	14.7	21.5	13.2	16.1	24.0
Funds in escrow accounts % YoY	July22	65	71	93	45	45	46	47	79
Non-financial organisations' outstanding bank loans % YoY	June22	15.6	12.4	42.6	9.2	15.2	17.8	10.7	10.7
• Large borrowers % YoY	June22	13.3	9.7	54.2	4.0	7.2	15.9	5.1	6.2
• SMEs % YoY	June22	26.5	29.4	7.0	23.7	35.9	29.6	29.6	28.2
Companies' price expectations ³ Balance of responses, SA	Aug22	16.0	17.3	15.3	18.8	14.6	16.9	17.8	15.2
Business Climate Index pp YoY	Aug22	-3.4	-5.6	-9.9	-2.1	-3.1	-1.0	0.4	-0.2
• Current assessments pp YoY	Aug22	-4.6	-7.4	-9.9	-5.1	-4.8	-1.3	1.3	-2.1
• Expectations pp YoY	Aug22	-2.2	-3.7	-10.0	1.1	-1.3	-0.8	-0.6	1.8

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

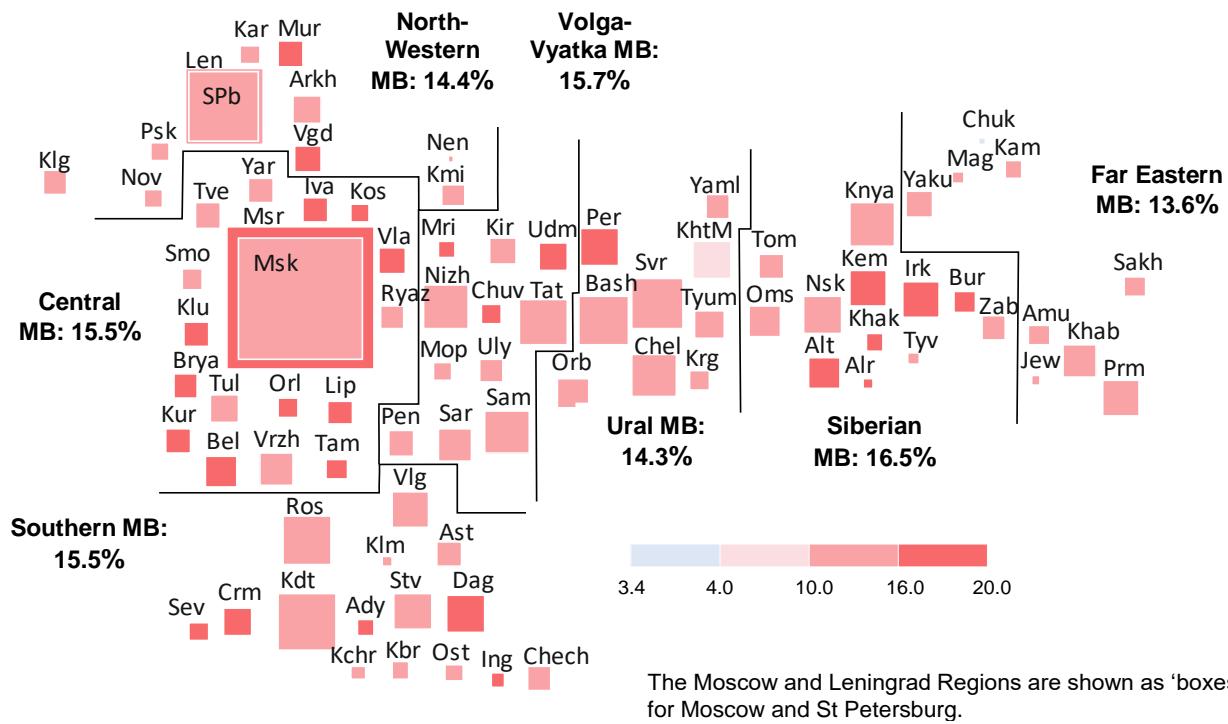
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis since they enable the aggregation of indicators by 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 July 2022, % on the same month last year

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



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

Source: Rosstat.

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

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In July–August, consumer activity in the macro-region continued to decline in annualised terms. Nevertheless, companies are predominantly positive about future demand. In July, there was a monthly decrease in prices due to expanded food supply, weak demand for certain non-food goods, and a stronger ruble. As shown by August surveys, businesses' price expectations trended downwards amid a slower rise in production costs. Lower interest rates and government subsidised programmes supported lending.

CONSUMPTION AND INCOMES. According to SberIndex, consumer activity in Central Russia weakened in July–August. However, the pace of its decrease slightly slowed down in annualised terms. Despite traditional sales, shopping mall traffic in Moscow contracted in August below the pandemic level of 2020. Retail chains tried to boost demand by relaunching promotional campaigns, the number of which had been considerably reduced in early spring. As households shifted towards lean consumption, retailers started to develop the format of discounters that demonstrated their efficiency regardless of the level of incomes in the regions of the federal district. The shrinkage of imports due to the sanctions and the exit of foreign suppliers from the country increased Russians' demand for shopping tours to friendly CIS countries, including to purchase goods of the brands that had left the Russian market. Nevertheless, retailers were mostly optimistic about demand. Increasingly fewer retailers complain about higher prices for goods and supply disruptions or cancellations. Consumer demand was supported by wage indexation at some large companies in July–August.

PRICES. In July, prices in the macro-region declined on average (seasonally adjusted) due to expanded supply in the domestic markets of fruit and vegetables and of meat products, a stronger ruble, and moderate demand for durables. According to Rosstat's weekly data, prices continued to edge down in August. As shown by August surveys, businesses' price expectations continued to lower in Central Russia, just as across Russia in general, while staying higher than before the pandemic. Price expectations decreased in all key industries amid a slower rise in costs and business risks, as well as – in agriculture – owing to expectations of a good harvest.

LABOUR MARKET. The situation in the macro-region's labour market remained stable. Unemployment edged down slightly in May–July 2022, as compared to the previous period, owing to rising demand for labour. In response to the new conditions, companies introduced part-time employment schemes and reduced bonus payments. There are still risks of staff reductions in foreign-owned companies or enterprises critically dependent on imports. Representative offices of foreign IT companies located in Moscow are cutting staff. According to the recent survey carried out over the first ten days of August, the number of companies planning staff reductions increased. Industrial regions considerably dependent on imports face the highest risk of unemployment. Various measures are being implemented

to support employment. For instance, the Vladimir Region is forming an industry order for staff training that will facilitate the transfer of employees across industries.

MONETARY CONDITIONS AND BANKING SECTOR. As the key rate decrease continued, in July, for the first time since February 2021, the proportion of companies reporting improved lending conditions exceeded the percentage of those complaining about their worsening. Corporate lending was significantly supported by loans issued to systemically important enterprises under government subsidised lending programmes. In July, the retail loan portfolio expanded, driven by an increase in both consumer and mortgage loans. In July–early August, demand in the mortgage market was supported by lower interest rates under market-based and subsidised programmes. Instalment plans and up to 20% discounts for apartments offered by developers also contributed to the revival in the housing market.

In July, as deposit rates edged down, the inflow of funds into current ruble accounts was more significant than that into time deposits. However, amid high demand for foreign currency during the holiday season, the inflow of ruble funds was offset by an outflow of foreign currency funds, predominantly in Moscow.

METALLURGY. As the EU banned imports of a number of Russian products, metallurgical companies lost a substantial share in the external market. Enterprises are redirecting exports to the East, offering significant discounts to buyers. As a result, considering longer shipping distances and the ruble strengthening, exports were low-profit or even loss-making for certain companies. Besides, their costs are increasing due to higher transportation rates. Lower profitability and difficulties with finding new sales markets are forcing enterprises to reduce output. A large metallurgical plant in the macro-region reported a decline in output and exports in 2022 Q2 by 4% and 17% year-on-year, respectively. Conversely, another enterprise in the federal district did not decrease its output, but refocused from Europe to new buyers in Africa who need products with slightly different characteristics and at lower prices.

LIVESTOCK PRODUCTION. Pork production in the Central Federal District continues to increase, accounting for nearly two-thirds of the growth across Russia in general. The macro-region plans to open new pig breeding farms, including in the Ryazan Region in 2022 and in the Bryansk and Tula Regions before 2024 and 2029, respectively. Amid the expansion of supply, the gap between poultry and pork prices is contracting. As a result, more consumers prefer to purchase pork. However, some regions in Central Russia face the risk of a decline in output due to the African swine fever. Specifically, several pig breeding farms in the Kaluga Region suspended their operation. The situation with imports from unfriendly states varies. Thus, a farm in the Voronezh Region complained about a deficit and delays in imports of genetic materials. Contrastingly, a pig breeding farm in the Tver Region received imported pigs for livestock reproduction.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



In July–August, consumer activity in the macro-region was still below the previous year's level. Companies' price expectations continued to go down. Due to the termination of exports to Europe, North-Western forestry enterprises were forced to increase the stocks of finished goods and reduce the utilisation rate of their production capacities. The situation in the labour market remained stable. As the tourist flow expanded, the macro-region developed tourism infrastructure.

CONSUMPTION AND INCOMES. As in previous months, consumer activity in the macro-region in July–August was lower as compared to the previous year.

Some stores of foreign brands resumed their operation, but this had little effect on shopping mall traffic because of shifts in consumer preferences and a rise in households' propensity to save. A regional trade company reported a further decline in the demand for construction materials and home improvement goods, primarily sawn lumber, after the spring surge in demand. Households' demand for used goods trended upwards. After a number of popular brands, including of the premium segment, suspended their operation, households increased the demand for products offered on various platforms selling used goods. To boost consumer activity, retail chains and online retailers in Saint Petersburg resumed promotional campaigns.

PRICES. In July, annual inflation in the North-West slowed down to 14.4%. According to weekly data, prices for fruit and vegetables and certain non-food goods (e.g., smartphones and sawn lumber) continued to decrease.

As shown by August surveys, companies' price expectations in the macro-region declined in most industries owing to a slower rise in costs, including as a result of the ruble strengthening, and were below the 2020 average. Expectations went down most notably in construction. Contrastingly, organisations engaged in real estate transactions reported an increase in price expectations, partly due to a predicted rise in demand.

LABOUR MARKET. In July–August, the situation in the North-Western labour market remained stable. Amid the changed external environment, employers' demand for labour declined, but they prevented unemployment growth by taking measures to maintain the headcount (part-time employment schemes, idle periods, and paid leaves). Some regions reported a decrease in the number of employees suspended from working. Specifically, in August, a part of employees of regional wood processing and railcar manufacturing companies resumed work. However, a number of enterprises are still in a situation of uncertainty after some foreign companies announced the suspension of their operation in Russia. As a large furniture and household goods manufacturer exited the Russian market, its plant in one of the regions reduced the staff. The dismissed employees receive support in finding a new job, and a part of them have already been employed by other enterprises of the macro-region.

MONETARY CONDITIONS AND BANKING SECTOR. Bank lending conditions continued to ease for both businesses and households. In August, the Republic of Karelia provided funding for a large project to construct a fish feed plant that will help substitute imports.

Retail lending is bouncing back gradually. The expansion of the retail portfolio sped up in July month-on-month in both mortgage and consumer lending. A regional bank reported that households' demand for consumer loans recovered to the level of early 2022. Some banks launched programmes for refinancing the mortgage loans raised in spring at higher interest rates. A decrease in deposit rates in June–July caused a slight contraction of the overall amount of time deposits. Besides, the inflow of households' funds into current accounts continued.

FORESTRY INDUSTRY. The forestry industry in the North-West still faces some difficulties in its operation. In 2022 H1, the total logging volume in the macro-region shrank by 12%. The main drag was the contraction of exports amid a much smaller capacity of the domestic market. In a number of regions, forestry enterprises increased the stocks of finished goods and adjusted their output targets by reducing the utilisation rates of their production capacities and employees. Some enterprises decided to suspend their investment projects as they had lost the suppliers of materials, equipment and spare parts or because of a higher risk of disruptions in imports.

Nevertheless, according to the Bank of Russia's survey, there was a decrease in the number of paper and paper products manufacturers reporting a contraction of output. Some paper products manufacturers are gradually adjusting to changes in logistics chains and the redirection of supplies of required components. Specifically, as reported by an enterprise in the Leningrad Region, foreign partners themselves started to offer ready-to-use logistics schemes for purchasing high-quality and affordable products of the enterprise.

TOURISM. In summer, the tourist flow in the majority of North-Western regions exceeded the previous year's level. As reported by regional travel agencies, an important driver of demand among Russian tourists was the restrictions on flights to the South of Russia and abroad.

The Republic of Karelia remains one of the most popular destinations for holidays in the North-West. According to tour operators, in contrast to last year, when two- to three-days tours had been highly demanded, this year, more tourists preferred longer trips.

Higher demand for domestic tourism promotes the development of tourism infrastructure and transport accessibility in the macro-region: new accommodation facilities are opened for tourists, and airlines have launched additional flights.

BANK OF RUSSIA VOLGA-VYATKA

MAIN BRANCH



Economic activity in the macro-region revived slightly in July–August. A gradual rebound in the output of cars supported the dynamics in industrial production and contributed to a rise in non-food sales and normalisation of the situation in the labour market. Inflation and businesses' price expectations continued to trend downwards as consumer demand remained moderate, some supply problems were settled, and the rise in costs slowed down.

CONSUMPTION AND INCOMES. Consumer activity slightly recovered in July–August, while staying weak. Surveyed retailers became more positive about demand in the next three months.

The demand for non-food goods remained low. Conversely, car sales started to edge up somewhat, driven by the resumption of the production of domestic cars and an increase in car imports from Asia. In some regions, the demand for construction materials and furniture rose slightly by the end of summer.

Stores in shopping malls started to replenish their range of products with those supplied through the parallel import mechanism. There were still difficulties with finding new lessees instead of the brands that had exited the Russian market. Shopping mall representatives reported that lessees' demand was lower than over previous years, which was associated with, among other things, rising demand for marketplaces among both customers and sellers, including regional ones. The premises in shopping malls previously rented by large stores were divided among several smaller ones or leased out to the entertainment sector.

PRICES. Annual price growth continued to decelerate in July–August, and companies' price expectations almost returned to the levels of mid-2020, that is, nearly to the lowest level since the outbreak of the pandemic. According to business surveys in August, the rise in costs slowed down in all sectors, most notably – in construction and the least – in agriculture. The proportion of companies complaining about higher costs for raw materials and components edged down in August. Furthermore, businesses reported an improvement of the situation with supplies, although the problems in logistics and settlements with counterparties were still among the most serious ones.

LABOUR MARKET. The situation in the labour market remained stable. Unemployment continued to go down. The number of employees working under part-time employment schemes decreased in the second half of August, as compared to late June. This was driven by a gradual resumption of operation in the automobile industry, among other factors. Nonetheless, idle periods and part-time employment schemes are still widespread. Employment support measures help reduce the tension. For instance, a vehicle manufacturer, which is partially idle, sent a part of its employees to train under an advanced professional education programme financed from the regional budget.

Some enterprises faced a deficit of qualified employees caused by the changes in external conditions, among other reasons. In particular, a shipbuilder reported that it needed staff retraining due to the replacement of imported equipment for domestic alternatives. Concurrently, a special machinery manufacturer was unable to hire employees dismissed from another recently closed automobile enterprise as they lacked the skills required to work on Japanese equipment. Serious competitors for enterprises in the labour market are delivery services offering comparable remuneration and a flexible working schedule.

MONETARY CONDITIONS AND BANKING SECTOR. Interest rates on retail loans continued to trend downwards. This contributed to a further rebound in household lending, primarily mortgage. In particular, the amount of subsidised mortgage loans for new housing issued in August was close to the 2021 averages. Lower interest rates on car loans supported consumer lending. Surveyed banks expect the demand for both mortgage and consumer loans to go up in the next six months.

Recent data from credit institutions suggest that interest rates on corporate loans also continued to decline in July–August. According to the Bank of Russia's monitoring of businesses, lending conditions for the real sector improved.

AUTOMOBILE INDUSTRY. The output of motor vehicles expanded in July–August, while staying considerably below the level of early 2022. The situation inside the sector was uneven.

A large auto group increased sales as it arranged the production of less technologically advanced cars and expanded the range of manufactured models. Besides, the group started to improve the offered configurations of its cars. In these conditions, the company returned to the full-time working week from mid-August and plans to operate a six-day working week throughout autumn. According to the manufacturer, its demand for labour will substantially increase beginning from September. Overall, the company plans to double the output of cars in 2022 H2, compared to the first six months of the year, as a result of which its output might exceed the previous year's level.

Contrastingly, the output of commercial vehicles continued to shrink for the most part. One of the plants manufacturing foreign-brand trucks failed to find alternative component suppliers, due to which it had to completely terminate the production in August. A large manufacturer of domestic trucks managed to maintain its market share at the previous year's level, but it faced a stronger competition from Asian enterprises, including because of a stronger ruble.

AGRICULTURE. As weather conditions were unfavourable in spring, the harvesting campaign of 2022 started later than last year. The delays have not affected the grain harvest by the moment. According to recent data, the yielding ability is almost two times higher than in 2021, owing to which the harvest increased as well. However, some regions reported a deterioration of the quality of grains.

Preparing for the current harvesting campaign, agricultural enterprises had no serious problems with spare parts and components. Nonetheless, they had to take into account longer delivery periods and higher prices for machinery and spares and change suppliers in some cases. Imported spare parts were supplied through both official representatives and alternative channels.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



The estimates of the economic environment in the macro-region improved in July–August. Agricultural and machine-building enterprises ramped up output. Tourism companies reported higher occupancy rates of the health resort and tourist complex amid an increase in railway transportation. Economic activity was supported by lending, primarily to small and medium-sized businesses owing to subsidised programmes. Inflation and companies' price expectations declined as households still preferred to save.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region remained moderate as households' propensity to save was up and the decrease in real incomes was more significant than across Russia in general. Residents of the macro-region cut spending on entertainments, sports goods, and communication services. Traffic at shopping malls, public catering places, and stores decreased. In these conditions, a large retailer in the Stavropol Territory reported a 5–10% decline in sales, as compared to the beginning of the year. Households still prefer low-price products, which was confirmed by a clothing factory in the Rostov Region. However, it has limited opportunities to sell its products, even after foreign brands exited the Russian market, because large shopping malls in the central regions of the country have not decreased the rent despite the exit of anchor tenants. Another drag on consumption is insufficient supply in the non-food segment. There is still a shortage of cars, with the parallel import mechanism failing to fully meet the demand at the moment.

PRICES. Annual inflation slowed down to 15.5% in July 2022. The monthly growth of prices (seasonally adjusted) was close to zero. The main reasons for slower inflation were the continuing expansion of fruit and vegetable supply, the pass-through of the ruble strengthening, and a decline in the demand for a number of non-food goods. Companies' price expectations went down across a wide range of industries. Agricultural enterprises reported that, despite higher costs, prices did not increase due to both expanded supply of domestic crops and higher imports of food products and agricultural raw materials, coupled with saturated demand. In this situation, some regional grain producers are even forced to sell their products below cost in order to cover their cash gaps.

MONETARY CONDITIONS AND BANKING SECTOR. Small and medium-sized enterprises' credit activity continued to grow. In the Krasnodar Territory, the demand for loans increased primarily in services and construction. The demand for loans among large corporates remained moderate, although some regions recorded a slight revival. Specifically, the expansion of lending in the Stavropol Territory was driven by loans issued to agroindustrial and chemical enterprises, including within government support measures.

There was a significant rise in the mortgage segment of the retail credit market. Some banks increased loan amounts and reduced mortgage down payments. A large Kuban bank reported a surge in the number of loan applications within the programmes offered jointly with developers. Banks' programmes for consumer loan refinancing were highly demanded. The Republic of Crimea

and the Rostov Region recorded a revival in the demand for car loans.

Balances of households' bank accounts continued to increase, while residents of the regions transferred funds from deposits to current accounts. In September, banks plan to announce special more favourable terms for deposits in order to preserve the funds raised.

MACHINE BUILDING. Most machine-builders maintain output at the previous level, and some even plan to ramp up their output. A large agricultural machinery manufacturer in Rostov-on-Don plans to expand the output of tractors by 20–25% by the end of the year. Nonetheless, companies faced higher costs due to more expensive raw materials and logistics. Specifically, a large manufacturer of agricultural equipment in Rostov-on-Don reported a 20–30% rise in costs for components. A vehicle body and trailer manufacturer in the Republic of North Ossetia–Alania faced a deficit of domestic alternatives to high-quality fast drying paints previously used in production and expects output prices to rise by 10%.

TOURISM. The tourist flow and the occupancy rates of the health resort and tourist complex remained elevated during the first fortnight of August, primarily due to higher demand for holidays in the Krasnodar Territory. The occupancy rate there averaged 87%, which is 12 pp more year-on-year. Despite the closure of the airports in Anapa and Gelendzhik, the number of tourists there increased by over 10%, compared to the previous year. At the end of July, three additional long-distance trains were launched to the resorts of the Territory. North Caucasus regions were still highly demanded as well. In July, the number of passengers served by the North Caucasus Railway and the airports of the North-Caucasian Federal District was up by a third, as compared to last year. A number of hotels and health resorts in the Republic of Daghestan, the Chechen and Kabardino-Balkar Republics reported that their occupancy rates rose by more than 20 pp in August year-on-year.

The level of reservations for September–October is also higher year-on-year. Specifically, it reached 93% in the Stavropol Territory (vs 75% last year).

AGRICULTURE. The pace of harvesting is higher than last year. The harvest of grains and vegetables, including potatoes, is expected to increase. According to preliminary data, the quality of vegetables, including potatoes, is satisfactory and comparable with 2021. Agricultural enterprises are prepared for winter sowing and have sufficient quantities of seed, fertilisers, and crop protection chemicals.

The inflow of investment in livestock production continued. In particular, a slaughterhouse of a poultry farm in the Rostov Region was repurposed into a lamb processing plant, which will help increase meat output. The Republic of Adygeya opened a commercial goat dairy farm, which is one of the largest in the country. The Krasnodar Territory commissioned a genetic selection centre for pig production to partially replace imported breeding pigs.

BANK OF RUSSIA URAL MAIN BRANCH



Consumer activity in the Urals was weaker in July–August 2022, year-on-year. Nonetheless, companies' estimates and expectations about demand and output continued to improve. Price expectations went down in the majority of industries. As the sanctions against the Ural manufacturers of fertilisers were eased, their exports began to bounce back. Developers started to launch again new projects for constructing apartment buildings owing to the government measures implemented to support construction and the mortgage market.

CONSUMPTION AND INCOMES. According to high-frequency indicators, consumer spending in the Urals in July–August remained below the previous year's levels, specifically on communication, entertainments, car services, and home improvement goods. Furthermore, the annual growth rate of expenses for rail and air tickets declined in August. Non-food retailers (pharmacy networks, household appliances and electronics stores, and car showrooms) reported a slight improvement in supplies of goods (medicines, durables, cars and spare parts) as they refocused on domestic manufacturers and arranged parallel import channels. Concurrently, residents of the Urals expected a decline in prices for the goods that had become more expensive earlier. This is why households still prefer to save and consumer activity is rebounding slowly. Discounters became more demanded, and retail chains continued to optimise the range of products shifting towards cheaper items. According to the hh.ru portal, in July–August, the number of CVs rose notably, while the number of vacant jobs continued to recover slowly after the decline in February.

PRICES. In July, annual inflation in the Urals continued to decelerate, reaching 14.3%. This was associated with the downward adjustment of prices due to the pass-through of the ruble strengthening and weaker consumer demand after its surge in spring. An important contributor to the slowdown of inflation was the expansion of fruit and vegetable supply driven by both an earlier harvest in the South of Russia and increased imports of fruit and vegetables from a number of countries. Businesses' price expectations continued to go down in July–August across all industries of the macro-region, except trade where companies' estimates of costs were slightly up.

MONETARY CONDITIONS AND BANKING SECTOR. Credit and deposit rates continued to edge down. Lending was supported by, among other things, the government subsidised lending programmes implemented to support small and medium-sized enterprises and systemically important organisations. Companies' demand for lending increased across a wide range of industries in the Urals. This was associated with the need to readjust logistics chains and replenish the stocks to ensure the continuity of operations. Credit institutions also reported a rebound in the demand for retail loans, primarily for mortgages under both government subsidised and market-based programmes. According to real estate agencies, the demand for new housing revived in July–August, driven by lower market interest rates for mortgage loans and

the implementation of government subsidised lending programmes. Consumer lending also bounced back somewhat, including in the car loan segment.

METALLURGICAL PRODUCTION. Ural metallurgical enterprises reduced output. Specifically, a large ferrous metallurgy enterprise in the Urals decreased its cast iron and steel output due to lower exports and weak domestic demand. As a result, the company forecasts a slump in sales by over a third as of the end of the year. Due to the decline in the output of motor vehicles in Russia, another Ural metallurgical plant decreased its output more than three times. As export opportunities are limited, competition in the domestic market strengthened, which is dragging down prices for products. The reduction in output was combined with a rise in product costs. Nevertheless, some companies continued their investment programmes aimed at enhancing production processes and establishing import-substituting production facilities. The Orenburg Region will soon launch the production of calcium metal based on zero-waste technology.

FERTILISER PRODUCTION. Fertiliser manufacturers in the Urals increased product shipments using the earlier created stocks. As the sanctions against Russian fertilisers were eased, their exports began to bounce back, while staying below last year's level. Nonetheless, there were still logistics problems in product supplies to the main markets, namely Latin America and Asia. The industry might be supported in the domestic market owing to the mechanism for subsidising a part of agricultural enterprises' costs for purchasing fertilisers on the exchange to be launched in 2023.

HOUSING CONSTRUCTION. The total area of new housing commissioned in the Urals expanded in 2022 Q2. This was mostly associated with the completion of construction projects launched earlier. Furthermore, in July, the number of new projects to construct apartment buildings was the highest since the beginning of the year. According to the Unified Housing Construction Information System (UHCIS), as of the end of August, the overall area of apartment buildings under construction in the Urals hit its three-year high. This shows that developers expect steady demand for new housing amid lower market interest rates on mortgage loans and the implementation of government subsidised mortgage lending programmes. However, a large developer noted that demand was still recovering more slowly than expected. According to developers in the Urals, the main factor that might limit real estate sales is the price per square meter that significantly increased over the past year.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



The growth in the Siberian industrial sector was weak in July–August 2022 due to problems with exports and the accumulation of stocks in the coal and metal industries that are the key ones for Siberia. Conversely, some sectors, for instance, the pharmaceutical industry, managed to ramp up output and expand the range of products owing to import substitution. Consumer demand remained subdued. Annual inflation slowed down.

CONSUMPTION AND INCOMES. Retailers reported moderate consumer activity in July–August. Marketplaces and ad aggregators are becoming more popular as they offer a broad range of products and lower prices as compared to retailers. A representative of the restaurant business noted a rise in the number of guests. However, the average bill decreased. The demand for domestic tourism remained high, with the occupancy rate of tourist complexes on the coast of Lake Baikal reaching its multi-year high in July (70–80% of the total number of rooms available). Most of surveyed companies maintained staffing levels and nominal wages. As competition for specialists was high, executives of machine-building, aviation and IT companies significantly raised wages and paid bonuses.

PRICES. Annual inflation decelerated to 16.5% in July due to the dynamics of prices for goods. The expansion of supply of fruit and vegetables from Asia and the South of Russia, as well as a good harvest of local open-field products slowed down the growth of fruit and vegetable prices. The strengthening of the ruble over previous months and the restoration of logistics chains ensured a slower rise in prices for household appliances and electronic devices. Amid weak demand, plastic window and chipboard manufacturers lowered prices by 3–5%. Siberian auto dealers had to reduce prices due to higher competition from cheaper (by up to 20%, as estimated) foreign-made cars imported through Asia.

The rise in companies' price expectations for the next three months slowed down in agriculture, trade, food manufacturing, and construction (due to weaker demand and higher competition as the main reasons).

MONETARY CONDITIONS AND BANKING SECTOR. In July–August, banks reported a further rebound in the demand for retail and corporate loans. Interest rates on loans declined close to the levels of early 2022. According to surveyed banks, lending conditions continued to ease overall. The demand for investment loans is still low due to high uncertainty, and companies mostly raise short-term loans to finance their current operations.

There was an increase in demand across all retail segments – for mortgage and consumer loans, including car loans. The demand for the latter is supported by the resumption of the government subsidised programme.

Deposit rates continued to edge down. However, banks launched special campaigns offering higher interest rates for new clients, predominantly on large deposits.

COAL MINING. In July–August, the situation in the Siberian coal industry remained complicated. Most coal producers decreased their output as they were unable to quickly redirect exports from Europe to alternative markets. Specifically, in Kuzbass producing over a half of Russian coal, the output and exports of coal plunged in July by 21% and 10%, respectively, year-on-year. The situation across companies was uneven. A part of them only decreased their coal output targets. Several open-pit coal mines suspended coal extraction. Contrastingly, a large enterprise supplying thermal coal to the domestic market ramped up output by a fourth in annualised terms. This was because Siberian thermal power stations increased power generation to offset the decline in the energy efficiency of the hydro power plant caused by a low water level in Siberian rivers during the current season (for instance, the water content of the basin of the Yenisei River is 30–50% below normal).

NON-FERROUS METALLURGY. In July–August, external logistics remained the major problem for Siberian metallurgical companies in production, sales, and investment. The accumulation of the stocks of metal products was reported by large industrial metal manufacturers: their sales were below the increased output, with the difference in certain items reaching 10–20%. This was caused by difficulties with the delivery of finished products to end consumers. Nonetheless, manufacturers confirmed the earlier announced metal output targets. Moreover, they stick to the approved investment plans despite possible problems with foreign equipment supplies.

PHARMACEUTICALS. Siberian pharmaceutical companies report that import substitution is becoming a driver for the industry in the conditions of the sanctions. In some cases, enterprises will need to promptly readjust their business processes.

According to two large Siberian pharmaceutical companies, the growth rates of their sales of finished goods exceed the industry averages. In this situation, the first one ramped up the output of over-the-counter medicines 20 times, and the other one plans to launch additional production lines in the near future. The frequency of raw material supplies and finished goods exports remained almost unchanged, as the main suppliers are from Asia and consumers are from CIS countries. However, the manufacturers consider that there might be problems with the maintenance of western equipment and are studying possibilities for purchasing new production lines in both Russia and Asia. Furthermore, the period for receiving payments for exports became longer.

Small and medium-sized companies of the industry faced a larger number of problems. Specifically, an injectable drug manufacturer lost its European supplier of raw materials and has to search for alternatives. Due to logistics bottlenecks, a company producing pharmaceutical substances suffered disruptions in supplies of raw materials and consumables from Asia. Nevertheless, these enterprises expect to ramp up output and expand the range of their products, including owing to import substitution programmes. In particular, a regional pharmaceutical company localised the manufacture of antiviral drugs to treat influenza and acute respiratory viral infections. Another pharmaceutical enterprise is preparing to launch the production of new import-substituting drugs, one of which is at the final stage of clinical trials.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In July–August, consumer activity in the macro-region remained moderate, despite a slight revival. Businesses' price expectations continued to decline. Oil output was still low due to persistent problems with shipments. Gold production contracted because of the export restrictions, whereas coal production was up owing to changes in the structure of supplies to Asia. The redirection of logistics to the Far East caused an increase in freight turnover and the utilisation rates of the seaports.

CONSUMPTION AND INCOMES. In July–August, trade companies in the macro-region recorded a slight rise in demand, although consumer activity was still muted. Food retailers noted a reduction in the range of items, due to its decrease by manufacturers, and shifts in households' preferences towards private farms' products. According to a large regional seller of perfumes, cosmetics and household chemicals, its sales in July stayed at the level of April–May, despite various promotional campaigns. Cinemas complained about a slump in the number of visitors (to 70%, as compared to the beginning of the year), while online cinemas became more demanded. Representatives of the tourism industry reported an increase in the tourist flow and the occupancy rates of hotels and recreation centres in July–August, year-on-year. This was driven by a rise in the number of flights to some Far Eastern regions from Moscow and the restrictions on flights to the South of Russia and abroad. As shown by the survey, companies' expectations about demand in retail and services for the next three months improved in August, compared to July.

PRICES. Prices continued to go up (seasonally adjusted) in July, but monthly price growth rates were the lowest since early 2020. The demand and prices for durables, including electronic devices, household appliances, and cars, continued to trend downwards. Fruit and vegetables became cheaper as well. According to the survey, due to a slower rise in costs and contracted demand, companies' price expectations continued to decline in August across the majority of industries, dropping to the level of early 2021. Trade companies reported a decrease in input prices for construction materials, furniture, jewellery, and certain food products (flour and cereals). A number of large logging companies were forced to reduce output and prices due to a shrinkage of demand for their products in Asia and expanded supply in the domestic market.

MONETARY CONDITIONS AND BANKING SECTOR. Companies noted that bank lending conditions eased in July, as compared to June. Corporate lending expanded in June, including owing to the government programmes implemented to support small and medium-sized enterprises. Lower interest rates in the retail segment caused an increase in issued consumer loans in July–August, compared to June, but the amounts were below last year's levels. A large credit institution expanded the list of construction projects and lowered interest rates within the programmes subsidised by developers, which supported demand in the market. A regional credit institution recorded a growing number of refinancing applications under the Family Mortgage programme, as well as an increase in applications for loans under

the Far Eastern Mortgage programme as a result of its expansion to encompass teachers and doctors. The mortgage market was also propped up by the extension of the Far Eastern Mortgage programme for buying existing housing in Magadan and Chukotka.

MINING AND QUARRYING. In July, the macro-region's mining and quarrying output continued to decline year-on-year, primarily because of the slump in oil production. One of the shelf projects on Sakhalin did not resume oil shipments in July–August due to the persistent problems with insurance of tankers recognised by other countries. The capacity utilisation rate remained at its lowest level. Due to the sanctions on gold imports from Russia enacted by certain countries, gold production contracted in June–July, as compared to the previous year. As a result of higher costs for production, lower global prices, and the use of a discount, gold sales in the domestic market became loss-making. Coal output in the macro-region in June–July was 1.2 times higher than last year. However, a part of produced coal was supplied to warehouses as the railway capacity was insufficient and there was a shortage of ships. Diamond mining expanded in June–July year-on-year, after its decline in spring. The demand for diamonds remained high as it was impossible to replace Russia's share in the global market and competition among importers was high, with Asian counterparties replacing European ones in the structure of importers.

CARGO TRANSPORTATION. In June–July, cargo traffic in Far Eastern seaports expanded in annualised terms, driven by an increase in dry cargo handling. The major contributor was exports of coal, fertilisers, and chemicals. The utilisation rate of the container cargo handling capacity in the Vladivostok seaport is at its maximum. Due to a high utilisation of railway infrastructure, transportation through river ports increased. In view of this, the Chinese counterparty purchased three more barges. The rates for sea freight from Vladivostok to South Korean and Japanese seaports rose in July, for the first time since March 2022. As compared to the beginning of the year, they went up 1.5 times on average. The rates for freight in the opposite direction remained unchanged in June–August. Amid the redirection of cargo traffic to the Far East, the macro-region continued to implement transport infrastructure development projects. In July, the Russian–Chinese border crossing point resumed its operation after a two-year pause, and the first toll highway was opened. In August, Russia launched a multi-modal route crossing the Amur River. Transportation companies reported an increase in the demand for road transportation to the West of Russia, which caused a surge in tariffs by more than a third over the past three months.

FISHING AND FISH PROCESSING. By the end of August, Pacific salmon fishing was 14% lower compared to the same period of 2020 and more than two times lower than in 2021 due to poor fish arrivals. As a result, wholesale prices for pink salmon doubled as compared to the beginning of the year. In July–August, seafood supplies to western regions, including along the Northern Sea Route, and for exports continued to trend upwards in monthly terms. Enterprises expanded the geography of their supplies to Asia and Africa and increased the amount of settlements in national currencies. A number of fishing companies reported longer delivery of and higher costs (by up to 15%) for spare parts from Europe due to changes in logistics. If enterprises fail to find alternative suppliers, they will be forced to use spare parts from some plants to install them at other plants.

In July, Kamchatka made a test run of a large plant to manufacture ultra-processed products equipped mostly with domestic systems. The products are planned to be supplied to the domestic market, Asia-Pacific countries, and EAEU states.

BOX 1

LOGISTICS AND EXPORT POSSIBILITIES OF RUSSIA'S ECONOMY AMID STRUCTURAL CHANGES

In 2022, the Russian economy faced drastic changes in the external environment. It became complicated or impossible to export a number of domestic goods and services to some foreign destinations, including to European markets previously accounting for a considerable share in the structure of Russian goods exports. Russian exporters are revising the geographical structure of their supplies. Such redistribution of trade flows involves a whole range of new challenges, and companies' possibilities to sell goods in new markets will depend on how successfully they will be able to address these issues.

Russia mostly exports commodities, due to which an essential element to estimate export possibilities in the new conditions is the potential capacity of the world market of such commodities beyond Europe and a number of other unfriendly countries. According to international organisations (Charts 1–3), the major importers of commodities are Asian countries that are able to purchase a significant proportion of Russian goods that can no longer be exported to the European market. Hence, **producers of key Russian exports can potentially redirect their supplies to Asian markets as demand in these countries is high**. However, in reality, there is a whole range of factors hindering Russian exporters from quickly conquering new niches (Chart 5).

LOGISTICS, INFRASTRUCTURE AND TRANSACTIONS

Russian goods are mostly exported by sea, railway, or pipeline. A substantial part of this transport and logistics infrastructure is located in the European part of Russia.

Total seaport capacity available in the European part of Russia is considerably higher than that in the Asian part of the country. Therefore, the departure points in the Far East have relatively lower potential in terms of the quantities of cargoes exported by sea. The overall capacity of gas and oil pipelines from Russia to European countries also notably exceeds that of pipelines to Asia.

The rerouting of exports significantly increases the utilisation rates of Eastern and Southern transportation infrastructure. The redirection of trade flows is impeded by infrastructure constraints, especially by excessively high utilisation of Eastern railway infrastructure and Far Eastern seaports. The negative effect of these constraints on the possibilities to redirect exports to Asia was reported by many Siberian coal enterprises who lost access to European markets due to the embargo introduced in August. Exporters in the Urals experience similar problems. According to a large Ural metallurgical company, the railway track to the Novorossiysk port is overloaded, just as the port itself. Enterprises also face difficulties with sea transportation even to friendly states arising because major international container carriers refuse to transport Russian cargoes. In particular, a Ural machine and equipment manufacturer was forced to delay its exports to Eastern Africa.

Excessive utilisation of railway and seaports caused a surge in prices for rail and sea transportation. Contrastingly, there was no such growth of prices for automobile cargo transportation. As reported by a large logistics company in the Nizhny Novgorod Region,

this was associated with stronger competition because companies previously dealing with international transportation to European countries refocused on the domestic market. Consequently, some enterprises started to more extensively use motor vehicles to redirect exports to the domestic market and Asia. However, this process was impeded by insufficient capacity of land border checkpoints to Eastern and Southern destinations.

Due to such difficulties with exports, companies need an expansion of the existing transport and logistics infrastructure. In May, a coal enterprise in the Khabarovsk Territory made its first shipment by river, and a large company in Yakutia started to implement a project for constructing a seaport and a private railway track to it. Furthermore, Russia is upgrading Eastern railway infrastructure and implementing long-term projects aimed at expanding seaport capacities.

Several previously closed border checkpoints are resuming their operation, and there are also new ones opening. Specifically, the Amur Region commissioned the international automobile bridge in June. According to a Far Eastern food enterprise, this has improved the possibilities for transportation in the region, owing to which the company plans to ramp up supplies to neighbouring countries. The capacity of ‘narrow’ checkpoints to the Southern destination is being expanded by opening additional traffic lanes.

Another factor limiting the possibilities to ramp up exports to these destinations is the **problem with payments for Russian goods by foreign buyers**. The imposed restrictions force exporters to trade in national currencies in the conditions where international trade transactions are mostly in the currencies of unfriendly states. This is a factor temporarily hindering goods supplies to foreign markets. In particular, a food enterprise from the Kabardino-Balkar Republic has lost the opportunity to sell its products to buyers from the Middle East, including due to a long-lasting search for a credit institution that would be able to process payments in national currencies.

Finally, another obstacle to the redirection of Russian goods to Asian markets is the **geographical location of resources and existing production facilities**. For instance, wood enterprises in the European part of Russia, due to their location, used to focus on trade with Western countries. The redirection to the Eastern destination will increase their transportation costs and make their products less competitive in terms of prices in external markets.

PRODUCTION CAPACITIES. EQUIPMENT. INVESTMENT PROJECTS

Limited imports can make it impossible to maintain earlier export quantities. Companies need imports to ensure or expand their output or change the range of their products.

Most exporters are facing difficulties with replacing imported equipment for domestic alternatives: often, they cannot find alternatives or they are of lower quality. Specifically, large North-Western logging companies explain this by the specifics of the equipment they use. The situation with components for the available imported equipment is similar.

Nonetheless, in some cases, companies will be able to replace imports for domestic alternatives already in the near future. To reduce its dependence on imported spare parts, an Arkhangelsk wood processing enterprise opened its own repair and maintenance workshop and, in the second half of the year, it plans to open a plant to address these tasks. The company expects that it will thus be able to cover approximately 80% of its need for spare parts and repairs.

PRICE CONDITIONS

In addition to the above reasons, the redirection might progress more slowly due to several factors reducing the competitiveness of Russian goods in external markets and incentives for enterprises to export their products.

Firstly, all else being equal, **rising costs for cargo transportation** are pushing up prices for domestic goods for foreign buyers, which makes it difficult for companies to maintain sales at earlier levels. In particular, a cosmetics manufacturer from the Volga Region reported that, due to higher costs for transportation services, prices for its products in the markets of friendly countries exceeded those offered by European competitors and it thus lost a part of orders.

Secondly, the **ruble strengthening** makes domestic products relatively more expensive and, all else being equal, decreases demand from foreign buyers. According to the Bank of Russia's data, in June–July, the real effective exchange rate of the ruble was 50% higher than in 2021 and 14% higher than the 2013 average (the previous record-high of the real exchange rate of the ruble). Such a significant strengthening of the ruble reduces exporters' profitability. This is especially relevant for non-energy companies. For instance, exports became less profitable for a medical products manufacturer from the Astrakhan Region and it is now searching for buyers inside the country. Nevertheless, the surge in global prices for key energy commodities offsets the negative impact of costs and the strengthening of the exchange rate for fuel exporters.

Finally, key Russian exports are redirected to new destinations amid lower prices relative to the current environment in global markets. In particular, such a **discount** is used in energy supplies. Specifically, Siberian and Far Eastern coal enterprises provide a price discount for its products due to higher competition in Asian states. Nonetheless, they note that, owing to high global prices, this circumstance is not critical for their operation. An oil and gas producer in the Urals also reported that, even with a discount, exports are sufficiently profitable as global prices are high.

REDIRECTION TO ACCESSIBLE MARKETS

To maintain their export revenues at previous levels, companies are revising the geographical structure of their supplies. In this regard, enterprises are using several mutually reinforcing strategies.

Firstly, they are **rerouting a part of exports to new sales markets**. For instance, one of the largest Kamchatka fishing companies started to export its products to Western and South Africa.

Secondly, **enterprises are expanding their share in the markets where they have been already supplying products before**. Specifically, a large baby food manufacturer from Central Russia considers CIS countries as potential niches for increasing its exports.

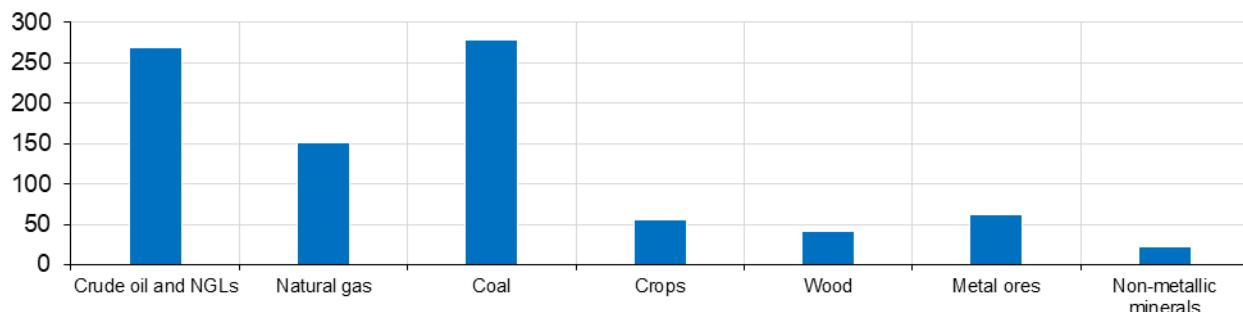
As regards Asian states (Charts 1–3), the possibilities to expand commodity exports vary significantly depending on potential competition in particular markets. Namely, possibilities to increase supplies of coal, wood, agricultural crops, and some metals are estimated as the highest since, in this case, exporters will not have to conquer the market share taken by Asian producers (as Asian countries have a severe gap in production and consumption of these goods).

Finally, **exporters can partially refocus to meet domestic demand**. Several Siberian coal producers announced an increase in supplies to the domestic market. Russian machine-building enterprises expanded their presence in the domestic market owing to the reduction in equipment and component imports. Thus, a large agricultural machinery manufacturer in Rostov-on-Don redirected a part of its products intended for exports to the domestic market.

Overall, according to the recent survey of enterprises carried out by the Bank of Russia (Chart 4), nearly 60% of exporters faced problems with supplies to external markets. Of this number, 10% completely terminated exports, and another 35% had to partially suspend supplies to foreign countries. As of early August, one in four companies of those facing problems managed to find new buyers of their products (15% of all exporters).

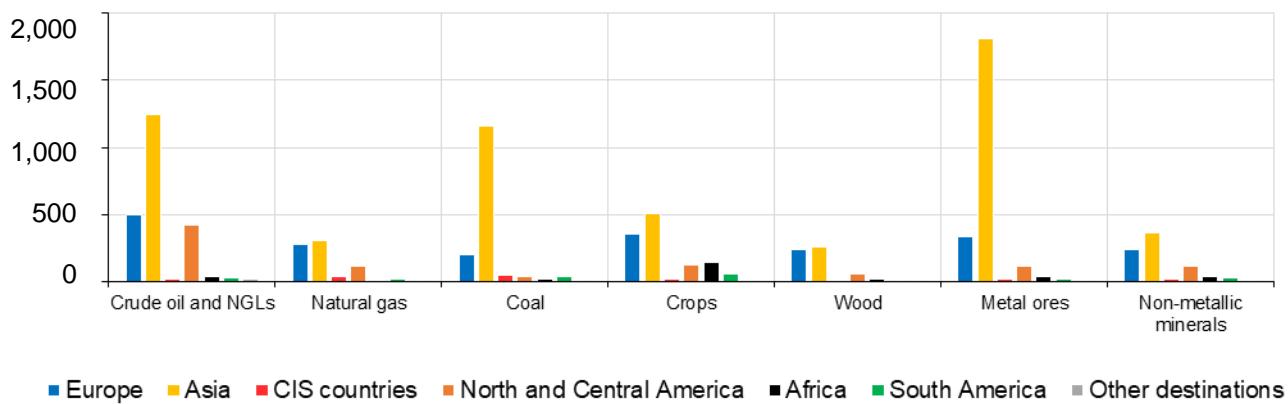
In the course of rerouting their supplies to friendly states, Russian exporters have to address a number of difficulties mostly involving barriers to an increase in product supply. The most serious ones are transportation and logistics problems causing a rise in prices for Russian goods in global markets and a decrease in export quantities.

Chart 1. Exports of key commodities and metals from Russia in 2019, m tons



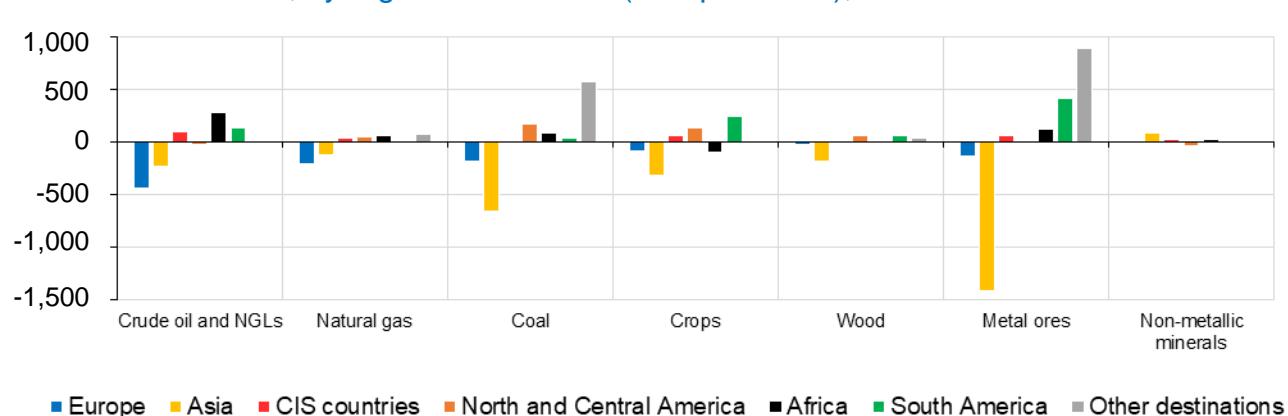
Sources: United Nations, Bank of Russia calculations.

Chart 2. Imports of key commodities and metals in 2019, by region of the world (except Russia), m tons



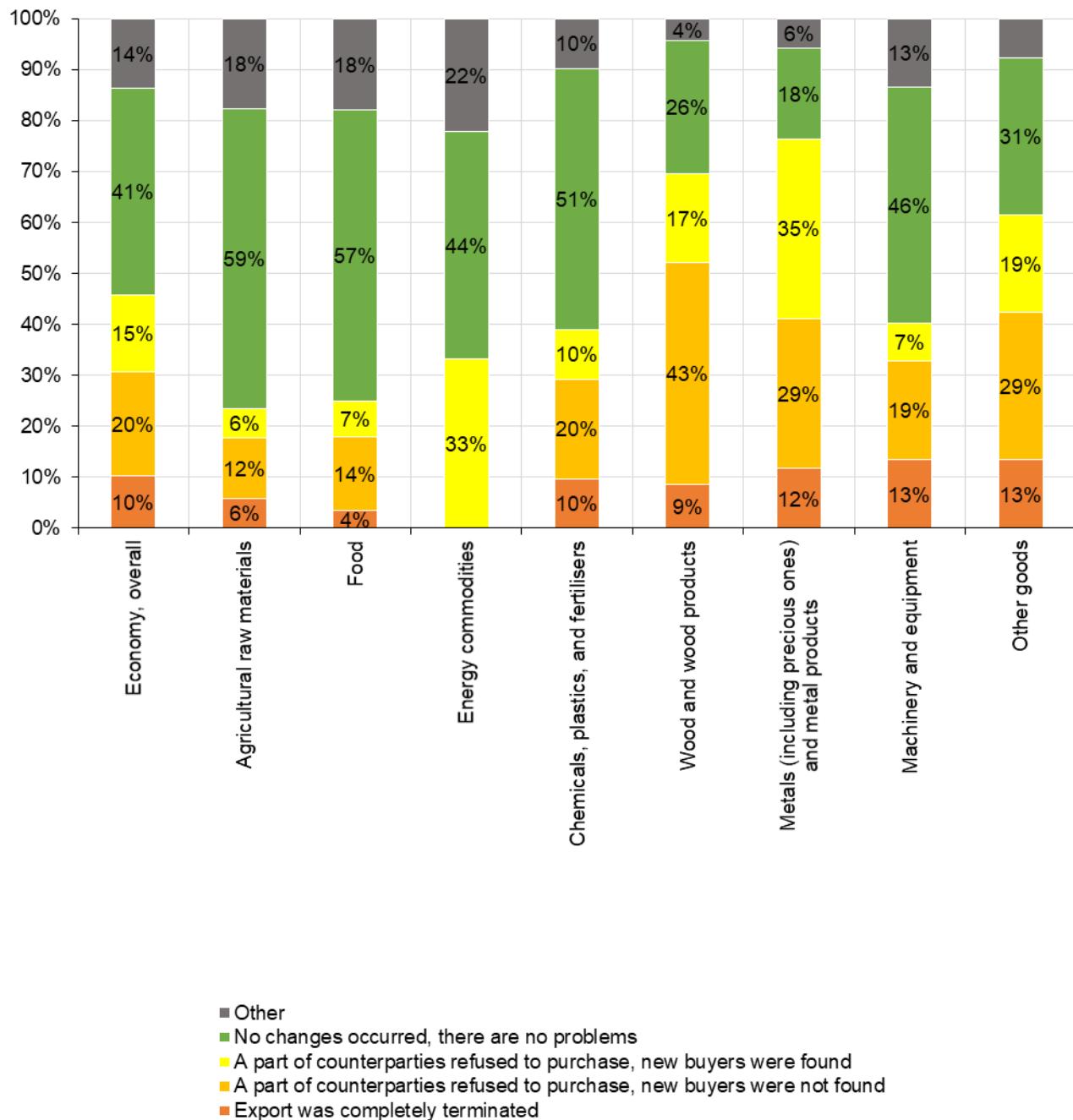
Sources: United Nations, Bank of Russia calculations.

Chart 3. Difference between production and consumption of key commodities and metals in 2019, by region of the world (except Russia), m tons



Sources: United Nations, Bank of Russia calculations.

Chart 4. Situation with exports of companies' goods (percentage of surveyed* enterprises-exporters), %



* The survey was carried out in August 2022.

Source: the Bank of Russia's survey of companies.

Chart 5. Challenges arising for enterprises-exporters: grading by main group of exported goods

Product group	Factors	Logistics	Transactions	Imports	Redirection to accessible markets	Demand decline (including due to prices)
Agricultural raw materials						
Food						
Energy commodities						
Chemicals, plastics, and fertilisers						
Wood and wood products						
Metals (including precious ones) and metal products						
Machinery and equipment						
Other goods						

Note. The red (white) tone implies that a certain factor has a more (less) negative effect for exporters of a particular product type, and the redirection of supplies progresses less (more) successfully.

Source: the Bank of Russia's survey of companies.

BOX 2.

LOWER ECONOMIC ACTIVITY: IMPACT OF DEMAND- AND SUPPLY-SIDE FACTORS

According to Rosstat's preliminary estimate, Russia's GDP in 2022 Q2 was 4% lower year-on-year. High-frequency indicators suggest that output in Q3 stays below the 2021 level as well. This is an all-round decline in economic activity accompanied by changes in demand and supply (Chart 1).

In the current environment, the contraction of output is associated with a decrease in both aggregate demand and aggregate supply. Specifically, aggregate demand shrank in 2022 Q2 for several reasons. The imposed export restrictions weakened external demand. A reduction in households' incomes and tight monetary conditions caused a decline in consumer demand. Rising economic uncertainty, lower attractiveness of the country for foreign investors, and sanctions on equipment imports decreased investment demand.

In turn, the contraction of aggregate output was also caused by a number of reasons. Due to difficulties with imports to Russia, the output of goods and services with foreign components decreased. The suspension of operations by some foreign companies in Russia also entailed a reduction in the number and the range of products in the domestic market.

Indicators based on the findings of the Bank of Russia's monitoring of businesses show the reasons behind the current contraction of the economy. According to one of these indicators (Chart 2), **demand stayed relatively high in 2022 Q2, whereas the decline in supply was much more notable**, which could trigger a strong response of prices to the earlier changes. Besides, the response of supply was characterised by high regional heterogeneity, which might be explained by differences in the established external trade relations and the structure of the regions' economies.

The findings of the Bank of Russia's recent survey of companies also suggest that the reasons behind the decline in output **varied across industries** (Chart 3). For instance, mining and quarrying enterprises mostly refer to lower demand for their goods as the main reason for the contraction of output. Manufacturing and trade companies whose output is more dependent on imported components and finished goods, in addition to lower demand, also report problems with component imports which could be caused by lower supply. The diversity of trends is also confirmed by the statistics on changes in price and output growth rates (Chart 4): the dynamics across industries over 2022 Q2 do not show any particular dominating factor. This is the reason why the situation requires a more profound analysis at the industry level.

MINING AND QUARRYING

Sectoral trends in mining and quarrying were diverse. Specifically, the growth rates of output and prices in oil and gas production and metal ore mining declined, which might evidence **a decrease in the demand** for products of these industries. According to North-Western and Volga-Vyatka enterprises, the main reason for lower demand was the **impact of the external trade restrictions** and foreign sanctions enacted against certain companies. Far Eastern gold mining enterprises reported both a decrease in foreign counterparties' demand and difficulties in the domestic market due to declining prices.

Contrastingly, the growth rates of output and prices in coal production edged up somewhat, which might suggest a slight rise in the demand for coal. In particular, Siberian coal producers reported higher demand for coal from regional energy companies. However, some coal producers in the South of Russia reduced output and were searching for new sales markets. A number of Far Eastern and Siberian enterprises had troubles with coal transportation to Asia due to **limited railway capacity**.

AGRICULTURE

In contrast to other industries, agricultural enterprises, who reduced their output, mostly referred to lower prices for their products as the main reason for such a decision. In their opinion, the decline in prices was caused by a surge in supply in the market, including due to the **restrictions on exports of certain agricultural crops and the negative effect of the ruble strengthening on the competitiveness of domestic products abroad**. These trends in the domestic market were the reason why Siberian enterprises preferred to delay the supply of a part of their harvest, and the macro-region's farmers decreased meat production expecting more favourable prices.

Along with the expansion of supply, a large Far Eastern agricultural enterprise also mentioned stable demand among households, and a Southern corn producer noted a rise in demand from certain North African countries. An increase in the tourist flow to Daghestan caused a rise in public catering companies' demand for meat products. Simultaneously, meat exports to the Middle East expanded.

Overall, price growth in this sector was close to zero, coupled with a more noticeable rise in output. Such dynamics might suggest that **the increase in supply was accompanied with the rise in demand, which ultimately sped up the growth of output of these products**.

INTERMEDIATE GOODS

This sector, whose goods are used as raw materials for manufacturing end products in other industries, recorded a decrease in both output and price growth rates, which might suggest that **negative demand-side trends prevailed. These industries include metallurgy, wood processing, rubber and plastics manufacturing**. The demand for these products contracted for various reasons. Specifically, some Far Eastern logging companies explained the shrinkage of the demand for their products by a glut in the Asian market. Manufacturers in the North-West, Central Russia, and the Urals reported a decline in external demand due to the ban on exports to Europe. Despite this, some companies in the Urals managed to redirect their products to new sales markets. Metallurgical companies in Central Russia and the Urals reduced their output because of the restrictions on exports. A paper and cardboard manufacturer from the Arkhangelsk Region reported not only a contraction of external demand for its products due to the ban on exports to the European Union, but also a decline in domestic demand for corrugated cardboard amid low consumer activity. Furthermore, companies also faced **difficulties with component imports**.

INVESTMENT GOODS

Trends in the production of investment goods varied significantly. Thus, **some industries recorded an increase in demand, whereas others faced its decline**. A Siberian manufacturer of electrotechnical equipment reported a reduction in orders from industrial companies

as they rescheduled the implementation of their investment projects. Contrastingly, mining equipment manufacturers from the Irkutsk Region and Kuzbass noted an increase in orders owing to the ban on imports of these goods to Russia.

Besides, a **large proportion of industries in this sector rather demonstrated a downward trend in supply**. In this group of industries, output growth decelerated most considerably in the production of commercial vehicles, railway machinery, and general-purpose machinery and equipment. A manufacturer of household appliances, auto components and electric tools from Volga-Vyatka explained the contraction of its output by disruptions in logistic chains that entailed a shortage of components. One of the carmakers also faced difficulties searching for alternative suppliers of materials and components.

CONSTRUCTION

Dynamics in construction varied across regions, but **demand predominantly declined** in this sector. According to developers, the construction of some commercial projects was suspended, while the demand for housing decreased – as a result, prices in the market remained almost unchanged. Demand in the construction of production facilities also trended downwards. Specifically, enterprises in the Komi Republic decreased the volumes of works to construct oil and gas infrastructure facilities due to a rise in overall uncertainty in this industry.

Problems with equipment imports also affected the construction industry. For instance, a North-Western company reported that it had been trying to find alternatives to unavailable foreign equipment for six months. According to enterprises in Central Russia, the situation with lifts remained complicated as prices for them soared due to the exit of large foreign manufacturers from the Russian market and insufficient supply of Asian alternatives. Concurrently, companies in Central Russia and Siberia reported a **reduction in costs owing to lower prices for metals and other construction materials**.

CONSUMER GOODS

The key trend of 2022 Q2 for both the food and non-food segments was a faster rise in producer prices amid a slower increase in output, which might suggest the prevalence of factors causing a contraction of supply. Nonetheless, the response of prices and quantities in food manufacturing was much less pronounced on average, as compared to durable goods manufacturing. A possible reason behind this heterogeneity across industries was **differences depending on material and component imports**. Besides, an important factor easing supply-side problems was fast refocusing on alternative suppliers, which helped stabilise output and reduce the pressure on prices in 2022 Q3. Specifically, pharmaceutical companies in Central Russia managed to ramp up their output owing to successful rearrangement of raw material and component supply chains. A confectionery in the Nizhny Novgorod Region settled all problems as it found alternatives to more expensive foreign ingredients.

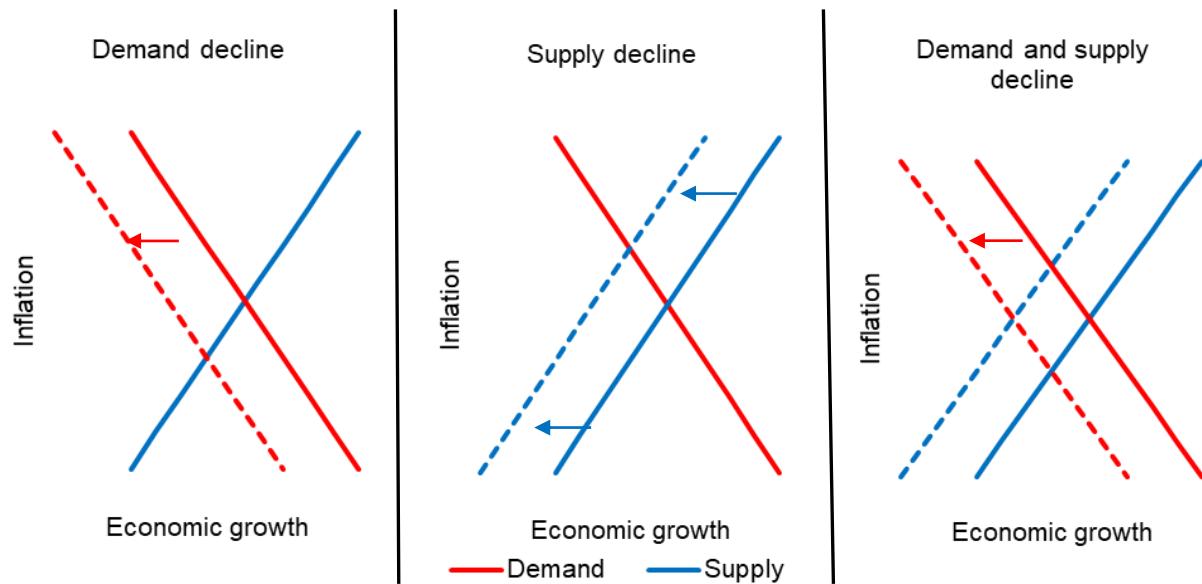
CONSUMER SERVICES

This sector did not face a slowdown in price growth for the most part, but the dynamics of the value of services varied. In particular, the growth of sales sped up in tourism and healthcare services, whereas most other segments recorded a downward trend.

Southern, Siberian, Volga-Vyatka and Far Eastern cinemas complained about problems with equipment and programmes due to the lack of world premières in Russia. The demand for beauty salon, car repair and public catering services declined as well. Contrastingly, **companies all over Russia recorded a rise in the demand for tourism services due to the restrictions on foreign travel.** Hotel occupancy rates were up in a number of regions in Central Russia, the North-West, and Siberia. The tourist flow increased in the Primorye Territory, the Nizhny Novgorod Region, and Tatarstan. The situation in the South of Russia was uneven: some resorts faced a deterioration in transport accessibility and a slump in tourists' demand, whereas other regions recorded a rise in railway transportation and the value of operating airports' services.

The current decline in economic activity significantly differs in nature across sectors. Export-oriented sectors faced a decrease in external demand, due to which the deceleration of output growth was combined with a slower rise in prices for their products. The dominant trend in the sectors where manufacture and services depend on imports was the contraction of supply which, coupled with a slower expansion of output, sped up the growth of prices. Thus, the direction of external trade flows in particular sectors was one of the factors that determined the extent of changes in demand and supply and their co-contribution to the output dynamics.

Chart 1. Schematic diagram of demand and supply effects in the short term



A decline in economic activity can be explained by a reduction in demand, or supply, or both.

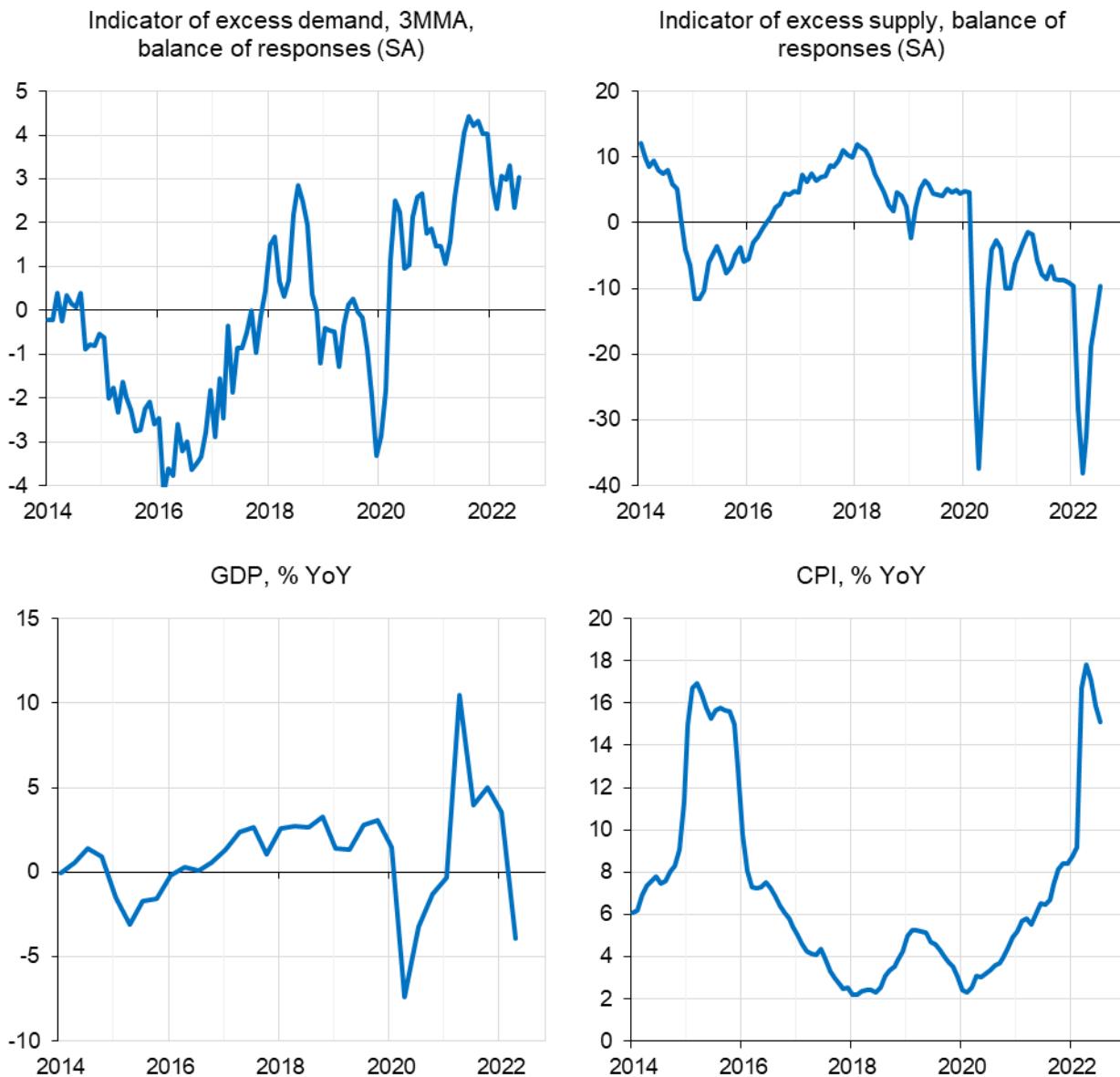
Demand contracts when domestic and foreign economic agents wish to buy smaller quantities of goods, while producers maintain supply at the previous level. This slows down the increase in both output and prices in the economy.

On the contrary, supply decreases when producers are ready to manufacture smaller quantities of goods, with domestic and external demand staying at the previous level. As a result, the growth rates of output and prices change in the opposite directions: output growth slows down, whereas price growth speeds up.

When demand and supply decline simultaneously, the expansion of output decelerates, whereas price movements might vary.

Source: Bank of Russia.

Chart 2. Indicators of excess demand and supply

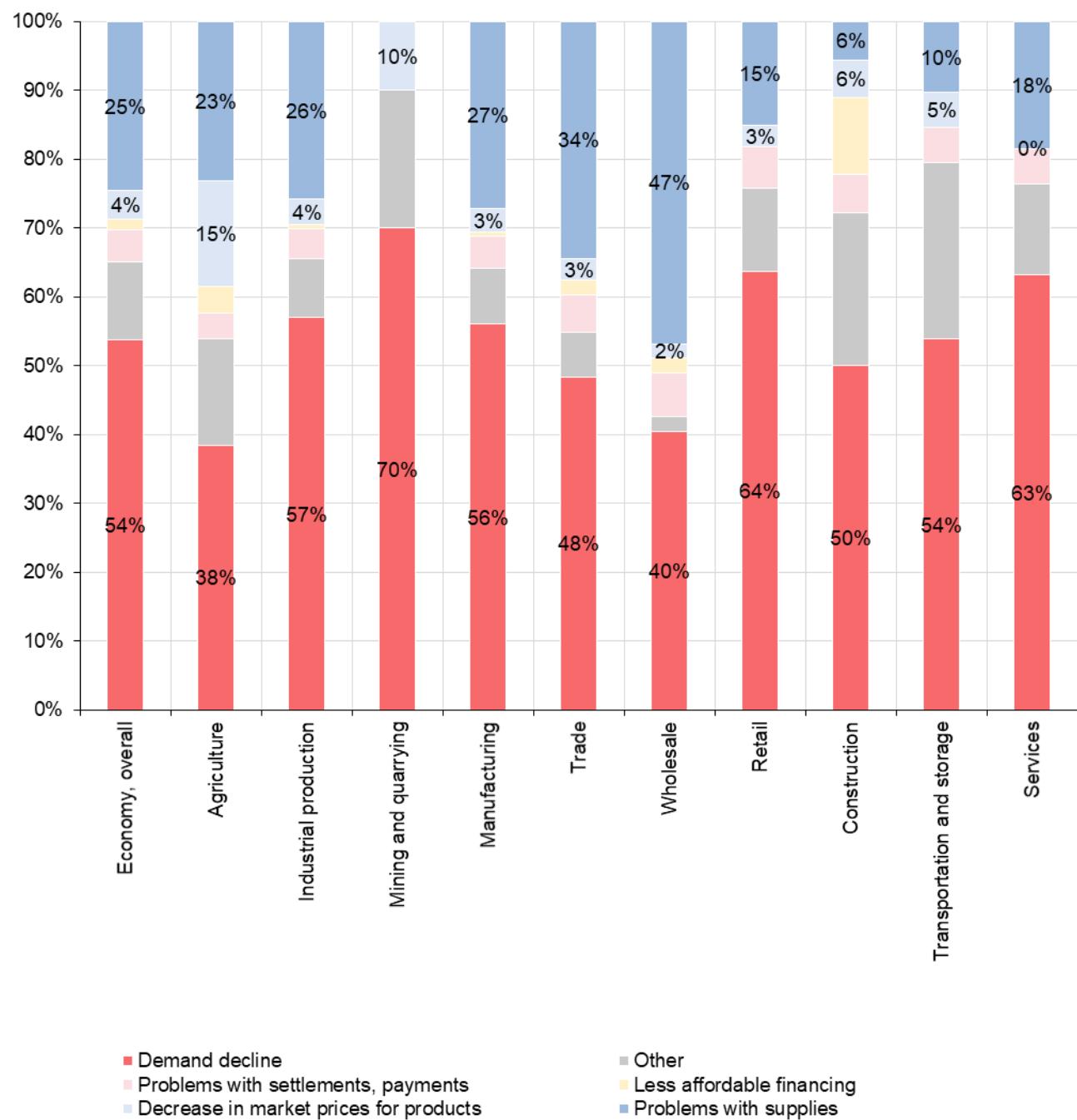


The indicator of excess demand is calculated as the difference between the estimated change in demand (minus the average) and the estimated change in output (also minus the average). A value above zero is associated with a positive effect of demand on current economic trends, while a value below zero – with a deficiency of demand in the economy and its negative effect on output and prices.

The indicator of excess supply is calculated as the difference between the estimated change in output (minus the average) and the estimated change in costs (also minus the average). A value above zero is associated with an increase in output and a reduction in prices, while a value below zero – with a contraction of output and a rise in prices.

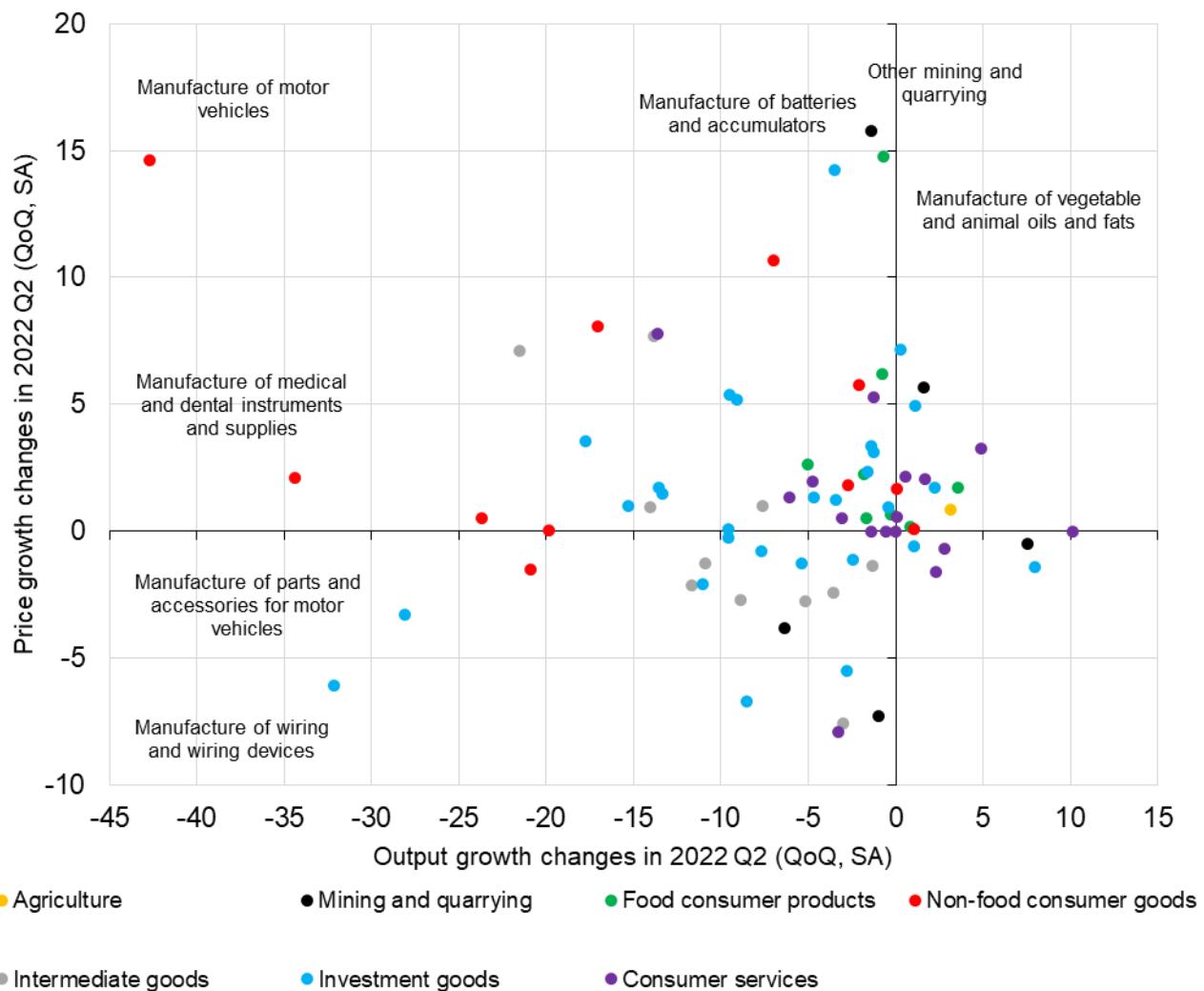
Sources: Rosstat, Bank of Russia.

Chart 3. Main reasons behind output contraction over the past year, % of respondents



Source: the Bank of Russia's survey of companies.

Chart 4. Changes in output and price growth rates across sectors



Sources: Rosstat, Bank of Russia calculations.

ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2020	2021	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	Jun	Jul	Aug
Inflation	% YoY	4.9	8.4	6.5	7.4	8.4	16.7	15.9	15.9	15.1	
Core inflation	% YoY	4.2	8.9	6.6	7.6	8.9	18.7	19.2	19.2	18.4	
Industrial production	3MMA, % YoY	-2.1	6.4	11.2	7.1	7.9	5.1	-2.5	-2.5	-1.8	
Fixed capital investment	Cumulative, % YoY	-0.5	7.7	7.8	7.8	7.7	12.8	7.8			
Construction	3MMA, % YoY	0.7	6.0	10.6	3.7	6.4	4.4	3.5	3.5	3.4	
Housing commissioning	3MMA, % YoY	0.2	12.7	47.2	29.0	-11.3	64.6	24.8	24.8	14.6	
Retail	3MMA, % YoY	-3.2	7.8	24.3	5.9	4.7	3.5	-9.8	-9.8	-9.5	
Commercial services	3MMA, % YoY	-14.6	16.7	53.2	16.4	12.6	7.8	1.2	1.2	1.4	
Real wages	3MMA, % YoY	3.8	4.5	5.3	1.9	2.7	2.9	-5.5			-5.5
Real disposable income	% YoY	-1.4	3.1	8.1	8.2	0.0	-1.0	-1.9			
Unemployment	SA, %	5.8	4.8	4.9	4.5	4.3	4.2	3.9	3.9	3.9	3.9
Outstanding consumer loans	% YoY	7.0	19.5	15.7	18.1	19.5	15.6	7.0	7.0	6.0	
Outstanding mortgage loans	% YoY	21.6	26.7	29.0	26.7	26.7	27.2	18.3	18.3	17.7	
Funds in escrow accounts	% YoY	-	158	452	288	158	130	76	76	65	
Non-financial organisations' outstanding bank loans	% YoY	9.4	14.6	10.4	11.8	14.6	17.6	15.6			15.6
• Large borrowers	% YoY	7.4	12.3	6.7	9.9	12.3	15.1	13.3			13.3
• SMEs	% YoY	21.9	27.5	32.1	22.7	27.5	30.4	26.5			26.5
Companies' price expectations	Balance of responses, SA	16.5	24.3	26.4	25.8	25.7	32.4	29.5	21.4	17.6	16.0
Business Climate Index	pp YoY	-8.3	9.6	27.9	4.1	6.5	-2.3	-11.2	-6.9	-3.8	-3.4
• Current assessments	pp YoY	-8.0	10.0	32.2	6.8	6.2	1.0	-11.6	-8.0	-5.5	-4.6
• Expectations	pp YoY	-6.6	7.2	22.7	1.2	6.9	-5.8	-10.8	-5.6	-2.0	-2.2

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	2022	2022	Jun	Jul	Aug
					Q2	Q3	Q4					
Inflation	% YoY	4.7%	8.3	6.4	7.4	8.3	16.6	16.3	16.3	15.5		
Core inflation	% YoY	4.2	9.0	6.6	7.9	9.0	18.9	19.9	19.9	19.1		
Industrial production	3MMA, % YoY	10.2	23.6	31.9	23.5	24.5	7.5	-0.7	-0.7	-1.2		
Fixed capital investment	Cumulative, % YoY	1.2	13.4	18.6	17.5	13.4	8.2					
Construction	3MMA, % YoY	6.7	4.4	15.0	-3.3	-0.7	3.1	10.5	10.5	10.4		
Housing commissioning	3MMA, % YoY	-0.8	14.3	75.4	51.7	-18.3	82.6	24.2	24.2	13.6		
Retail	3MMA, % YoY	-2.1	8.5	27.2	6.0	4.8	2.9	-12.9	-12.9	-12.8		
Commercial services	3MMA, % YoY	-17.7	22.5	67.3	27.9	20.4	16.8	-1.5	-1.5	-1.5		
Real wages	3MMA, % YoY	4.2	5.6	6.9	3.2	3.1	5.3	-7.2	-7.2			
Real disposable income	% YoY	-1.3	4.7	8.8	10.7	1.4	3.4	-3.9				
Unemployment	SA, %	3.9	3.5	3.5	3.3	3.1	3.0	3.1	3.1	3.1		
Outstanding consumer loans	% YoY	5.2	20.0	14.2	18.0	20.0	16.7	8.6	8.6	7.3		
Outstanding mortgage loans	% YoY	24.4	29.1	32.5	29.7	29.1	28.5	19.9	19.9	19.4		
Funds in escrow accounts	% YoY	-	171	468	306	171	137	84	84	71		
Non-financial organisations' outstanding bank loans	% YoY	11.1	13.1	10.0	10.5	13.1	14.8	12.4	12.4			
• Large borrowers	% YoY	10.6	10.0	6.9	8.1	10.0	11.3	9.7	9.7			
• SMEs	% YoY	15.2	36.6	33.6	29.9	36.6	39.4	29.4	29.4			
Companies' price expectations	Balance of responses, SA	18.8	29.6	34.3	31.0	29.7	37.1	35.0	26.7	21.1	17.3	
Business Climate Index	pp YoY	-6.9	8.9	28.8	2.7	5.4	-2.0	-14.2	-9.6	-5.6	-5.6	
• Current assessments	pp YoY	-6.7	9.4	31.7	3.6	4.9	2.8	-14.3	-10.4	-4.8	-7.4	
• Expectations	pp YoY	-6.9	8.1	24.9	1.7	5.9	-7.1	-14.1	-8.6	-6.4	-3.7	

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	2022	2022	Jun	Jul	Aug
			Q2	Q3	Q4	Q1	Q2					
Inflation	% YoY	4.8	8.5	6.6	7.3	8.5	17.1	15.5	15.5	14.4		
Core inflation	% YoY	4.0	8.9	6.7	7.3	8.9	19.3	19.0	19.0	18.3		
Industrial production	3MMA, % YoY	-2.6	5.2	8.6	5.4	7.1	5.2	-1.6	-1.6	-2.1		
Fixed capital investment	Cumulative, % YoY	-2.5	0.9	5.2	3.2	0.9	3.4					
Construction	3MMA, % YoY	-7.3	0.3	-6.0	3.1	11.8	-4.6	-6.4	-6.4	-0.3		
Housing commissioning	3MMA, % YoY	-2.9	13.3	47.1	53.1	-35.8	43.3	33.6	33.6	2.3		
Retail	3MMA, % YoY	0.2	11.7	26.6	10.8	9.2	5.0	-10.7	-10.7	-10.6		
Commercial services	3MMA, % YoY	-15.4	18.0	49.4	16.8	14.2	4.2	1.3	1.3	2.3		
Real wages	3MMA, % YoY	2.1	4.3	6.7	1.8	2.3	1.6	-5.1	-5.1			
Real disposable income	% YoY	0.2	4.5	5.9	10.4	3.0	0.4	-2.3				
Unemployment	SA, %	5.0	3.9	4.0	3.5	3.3	3.1	3.1	3.1	3.2		
Outstanding consumer loans	% YoY	6.9	18.7	15.4	17.2	18.7	14.8	6.3	6.3	5.3		
Outstanding mortgage loans	% YoY	22.0	26.5	28.8	26.1	26.5	26.9	18.1	18.1	17.6		
Funds in escrow accounts	% YoY	-	255	585	438	255	202	111	111	93		
Non-financial organisations' outstanding bank loans	% YoY	9.2	28.2	14.2	21.5	28.2	39.2	42.6	42.6			
• Large borrowers	% YoY	1.9	32.5	3.0	24.1	32.5	46.6	54.2	54.2			
• SMEs	% YoY	52.1	11.0	70.9	9.9	11.0	13.2	7.0	7.0			
Companies' price expectations	Balance of responses, SA	17.1	23.6	25.5	25.0	24.3	30.3	27.3	20.3	17.8	15.3	
Business Climate Index	pp YoY	-7.2	9.4	25.5	4.5	8.3	-2.0	-14.9	-10.5	-7.9	-9.9	
• Current assessments	pp YoY	-7.6	11.1	29.2	6.4	8.7	1.1	-15.5	-12.0	-8.0	-9.9	
• Expectations	pp YoY	-6.6	7.5	21.0	2.6	7.9	-5.2	-14.2	-8.8	-7.8	-10.0	

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	2022	2022	Jun	Jul	Aug
					Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	5.5	8.6	6.7	7.6	8.6	17.1	16.7	16.7	15.7		
Core inflation	% YoY	4.7%	9.4	7.1	8.1	9.4	19.7	20.1	20.1	19.1		
Industrial production	3MMA, % YoY	-2.0	9.4	17.6	7.3	10.7	6.9	-3.5	-3.5	-1.0		
Fixed capital investment	Cumulative, % YoY	-3.0	5.3	9.8	8.8	5.3	12.8					
Construction	3MMA, % YoY	-2.0	14.1	12.4	16.9	15.9	19.3	2.5	2.5	5.9		
Housing commissioning	3MMA, % YoY	-4.5	8.5	16.9	4.0	1.1	18.2	26.4	26.4	24.0		
Retail	3MMA, % YoY	-4.4	6.0	20.2	5.8	5.1	4.3	-8.7	-8.7	-7.4		
Commercial services	3MMA, % YoY	-10.6	10.9	35.8	8.1	6.6	5.4	3.9	3.9	3.4		
Real wages	3MMA, % YoY	3.4	4.3	5.0	1.8	3.7	1.1	-4.5	-4.5			
Real disposable income	% YoY	-2.2	1.9	5.9	5.8	1.3	-0.3	-2.0				
Unemployment rate	SA, %	4.9	4.0	4.0	3.7	3.5	3.4	3.2	3.2	3.1		
Outstanding consumer loans	% YoY	7.1	19.2	16.2	17.9	19.2	14.6	5.4	5.4	4.4		
Outstanding mortgage loans	% YoY	19.7	23.0	26.2	24.1	23.0	24.2	15.5	15.5	14.7		
Funds in escrow accounts	% YoY	-	105	326	182	105	99	54	54	45		
Non-financial organisations' outstanding bank loans	% YoY	3.5	11.8	6.6	13.4	11.8	12.0	9.2	9.2			
• Large borrowers	% YoY	-2.5	9.0	2.1	12.9	9.0	8.0	4.0	4.0			
• SMEs	% YoY	24.3	19.9	21.5	15.1	19.9	23.5	23.7	23.7			
Companies' price expectations	Balance of responses, SA	18.5	29.0	32.0	31.2	29.7	36.6	35.9	25.7	20.8	18.8	
Business Climate Index	pp YoY	-9.7	9.5	27.6	4.1	6.9	-3.5	-13.2	-8.2	-4.7	-2.1	
• Current assessments	pp YoY	-10.1	11.1	29.9	8.0	6.3	-2.1	-14.0	-9.4	-8.6	-5.1	
• Expectations	pp YoY	-8.9	7.6	24.4	-0.3	7.6	-4.8	-12.2	-6.8	-0.5	1.1	

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

Core indicators. Southern Main Branch**Table 5**

			2020	2021	2021	2021	2021	2022	2022	Jun	Jul	Aug
					Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	5.5	9.2	7.3	8.6	9.2	16.6	16.1	16.1	15.5		
Core inflation	% YoY	4.2	9.1	6.7	7.8	9.1	17.1	18.8	18.8	18.3		
Industrial production	3MMA, % YoY	-0.2	6.2	10.2	5.5	5.8	5.2	-1.2	-1.2	-0.4		
Fixed capital investment	Cumulative, % YoY	0.2	-0.5	5.3	2.4	-0.5	1.8					
Construction	3MMA, % YoY	-3.3	8.2	4.7	7.4	14.0	-16.2	11.0	11.0	10.3		
Housing commissioning	3MMA, % YoY	5.4	13.7	35.8	34.1	-8.4	94.2	37.7	37.7	20.9		
Retail	3MMA, % YoY	-3.4	11.6	42.3	8.3	5.4	2.9	-6.2	-6.2	-5.7		
Commercial services	3MMA, % YoY	-9.3	14.8	67.6	6.7	7.3	5.4	2.5	2.5	2.2		
Real wages	3MMA, % YoY	3.5	2.3	3.3	0.1	0.1	-1.5	-5.7	-5.7			
Real disposable income	% YoY	-1.5	3.1	11.9	5.2	-0.2	-1.2	-2.0	-2.0			
Unemployment rate	SA, %	8.9	7.8	8.0	7.4	7.0	6.9	6.3	6.3	6.3		
Outstanding consumer loans	% YoY	7.5	21.1	15.6	18.6	21.1	17.4	8.6	8.6	7.2		
Outstanding mortgage loans	% YoY	23.7	30.7	32.0	31.0	30.7	31.5	22.4	22.4	21.5		
Funds in escrow accounts	% YoY	-	120	458	262	120	91	46	46	45		
Non-financial organisations' outstanding bank loans	% YoY	3.6	13.7	10.7	7.0	13.7	16.8	15.2	15.2			
• Large borrowers	% YoY	0.3	8.4	9.5	1.8	8.4	10.7	7.2	7.2			
• SMEs	% YoY	13.9	28.5	14.2	22.5	28.5	33.2	35.9	35.9			
Companies' price expectations	Balance of responses, SA	15.0	20.2	20.8	21.4	22.1	28.4	23.5	17.1	15.6	14.6	
Business Climate Index	pp YoY	-6.6	7.9	25.6	2.9	2.4	-2.5	-10.0	-3.8	-3.7	-3.1	
• Current assessments	pp YoY	-8.3	10.0	32.1	5.5	1.9	1.4	-9.2	-3.6	-7.0	-4.8	
• Expectations	pp YoY	-4.4	5.3	17.6	0.0	2.9	-6.7	-10.9	-4.0	-0.1	-1.3	

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	2022	2022	Jun	Jul	Aug
			Q2	Q3	Q4	Q1	Q2					
Inflation	% YoY	4.4	7.7	6.1	6.7	7.7	16.1	15.1	15.1	14.3		
Core inflation	% YoY	4.0	8.2	6.3	7.1	8.2	18.3	17.7	17.7	16.9		
Industrial production	3MMA, % YoY	-2.2	4.8	8.6	6.4	6.7	5.0	-2.9	-2.9	-2.1		
Fixed capital investment	Cumulative, % YoY	0.1	-0.2	-7.6	-4.9	-0.2	18.4					
Construction	3MMA, % YoY	7.5	5.0	14.9	-0.7	11.9	5.3	-10.9	-10.9	-11.1		
Housing commissioning	3MMA, % YoY	2.9	12.1	50.7	15.4	-3.7	64.9	8.6	8.6	8.5		
Retail	3MMA, % YoY	-4.0	4.4	18.7	2.8	2.6	2.7	-9.3	-9.3	-8.5		
Commercial services	3MMA, % YoY	-15.6	14.7	43.7	15.9	10.1	6.0	2.1	2.1	2.9		
Real wages	3MMA, % YoY	3.5	3.4	3.6	0.2	1.3	1.0	-4.7	-4.7			
Real disposable income	% YoY	-2.9	0.7	2.4	4.8	1.2	0.0	-2.9				
Unemployment	SA, %	5.7	4.4	4.5	3.9	3.8	3.7	3.4	3.4	3.3		
Outstanding consumer loans	% YoY	7.8	18.1	16.1	16.8	18.1	13.6	5.0	5.0	4.5		
Outstanding mortgage loans	% YoY	17.8	21.1	24.5	21.1	21.1	22.2	13.7	13.7	13.2		
Funds in escrow accounts	% YoY	-	109	420	228	109	107	54	54	46		
Non-financial organisations' outstanding bank loans	% YoY	3.9	16.6	10.4	12.6	16.6	22.3	17.8	17.8			
• Large borrowers	% YoY	1.1	15.0	7.7	11.1	15.0	21.1	15.9	15.9			
• SMEs	% YoY	26.0	27.6	29.7	23.0	27.6	30.2	29.6	29.6			
Companies' price expectations	Balance of responses, SA	14.7	22.8	23.4	28.0	22.6	29.7	29.4	23.0	17.9	16.9	
Business Climate Index	pp YoY	-9.0	9.5	26.9	4.2	7.8	-1.3	-11.7	-8.0	-7.3	-1.0	
• Current assessments	pp YoY	-7.9	10.2	29.5	5.5	5.2	1.3	-10.9	-8.1	-8.8	-1.3	
• Expectations	pp YoY	-10.0	8.6	23.7	2.8	10.4	-4.3	-12.5	-7.9	-5.8	-0.8	

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	2022	2022	Jun	Jul	Aug
					Q2	Q3	Q4	Q1	Q2			
Inflation	% YoY	4.9	9.3	6.8	7.8	9.3	18.4	17.2	17.2	16.5		
Core inflation	% YoY	4.4	9.5	6.6	7.9	9.5	20.7	19.9	19.9	19.0		
Industrial production	3MMA, % YoY	-3.7	3.2	2.0	5.5	6.5	4.8	1.3	1.3	0.4		
Fixed capital investment	Cumulative, % YoY	0.9	9.6	8.1	8.9	9.6	8.9					
Construction	3MMA, % YoY	-0.5	13.9	20.4	8.1	16.0	26.9	8.5	8.5	5.6		
Housing commissioning	3MMA, % YoY	0.3	7.7	51.1	16.0	-11.0	87.5	10.5	10.5	17.4		
Retail	3MMA, % YoY	-3.3	7.1	15.5	7.3	7.8	7.4	-4.8	-4.8	-4.3		
Commercial services	3MMA, % YoY	-10.5	11.7	34.4	9.2	7.5	6.8	5.0	5.0	5.9		
Real wages	3MMA, % YoY	3.4	3.3	3.1	1.0	2.9	2.2	-4.6		-4.6		
Real disposable income	% YoY	-1.0	1.5	2.8	4.6	2.6	-0.1	-2.3				
Unemployment rate	SA, %	7.6	6.1	6.3	5.6	5.4	5.3	4.9	4.9	4.8		
Outstanding consumer loans	% YoY	9.1	20.5	18.0	19.9	20.5	16.1	7.2	7.2	6.2		
Outstanding mortgage loans	% YoY	18.9	25.8	26.3	25.1	25.8	26.9	17.1	17.1	16.1		
Funds in escrow accounts	% YoY	-	149	502	322	149	108	60	60	47		
Non-financial organisations' outstanding bank loans	% YoY	5.2	5.0	-3.1	-2.2	5.0	14.5	10.7	10.7			
• Large borrowers	% YoY	1.8	1.4	-9.3	-6.3	1.4	12.5	5.1	5.1			
• SMEs	% YoY	19.5	18.8	25.7	15.7	18.8	21.6	29.6	29.6			
Companies' price expectations	Balance of responses, SA	15.7	24.5	26.5	27.0	26.3	33.5	28.6	21.3	20.0	17.8	
Business Climate Index	pp YoY	-7.0	8.8	25.8	3.9	6.5	-2.7	-9.3	-3.6	2.4	0.4	
• Current assessments	pp YoY	-8.1	10.2	28.9	5.9	6.0	-1.2	-10.5	-5.0	0.6	1.3	
• Expectations	pp YoY	-5.6	7.3	21.9	1.6	7.1	-4.3	-8.0	-2.1	4.3	-0.6	

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	2022	2022	Jun	Jul	Aug
			Q2	Q3	Q4	Q1	Q2					
Inflation	% YoY	5.0	6.7	5.4	6.1	6.7	13.4	14.1	14.1	13.6		
Core inflation	% YoY	3.9	6.7	4.9	5.7	6.7	15.1	16.5	16.5	15.9		
Industrial production	3MMA, % YoY	-4.5	3.5	9.6	7.0	-0.4	4.2	-7.5	-7.5	-12.2		
Fixed capital investment	Cumulative, % YoY	-8.6	9.8	9.6	12.2	9.8	19.9					
Construction	3MMA, % YoY	-9.4	-4.5	6.2	8.6	-26.3	0.8	3.9	3.9	-8.6		
Housing commissioning	3MMA, % YoY	3.4	25.4	34.6	20.1	23.6	23.9	34.0	34.0	22.4		
Retail	3MMA, % YoY	-2.6	5.6	22.0	3.3	-1.2	1.2	-0.8	-0.8	0.2		
Commercial services	3MMA, % YoY	-18.2	13.3	45.1	11.2	7.1	-0.7	-3.0	-3.0	-3.1		
Real wages	3MMA, % YoY	2.9	4.2	3.9	1.4	4.3	0.1	-3.9	-3.9			
Real disposable income	% YoY	-1.5	1.9	3.5	5.4	2.0	-0.4	-2.3				
Unemployment rate	SA, %	5.4	4.6	4.6	4.7	4.3	4.4	3.9	3.9	4.0		
Outstanding consumer loans	% YoY	9.2	17.7	17.0	18.8	17.7	13.1	5.8	5.8	4.7		
Outstanding mortgage loans	% YoY	23.8	32.5	30.2	30.9	32.5	34.4	25.5	25.5	24.0		
Funds in escrow accounts	% YoY	-	162	408	303	162	133	95	95	79		
Non-financial organisations' outstanding bank loans	% YoY	32.2	18.0	38.2	33.4	18.0	8.5	10.7	10.7			
• Large borrowers	% YoY	32.7	17.0	42.9	36.3	17.0	4.4	6.2	6.2			
• SMEs	% YoY	30.4	21.8	22.6	22.7	21.8	24.8	28.2	28.2			
Companies' price expectations	Balance of responses, SA	14.4	19.0	19.7	19.9	21.6	26.0	25.6	19.5	16.3	15.2	
Business Climate Index	pp YoY	-7.3	7.3	18.2	4.0	8.5	-0.7	-7.3	-5.7	1.3	-0.2	
• Current assessments	pp YoY	-8.6	8.4	20.7	6.8	8.1	4.1	-6.6	-5.1	-1.2	-2.1	
• Expectations	pp YoY	-5.9	6.1	15.1	0.8	8.8	-5.7	-7.9	-6.2	3.9	1.8	

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