



Bank of Russia



TALKING TRENDS
Economy and markets

Research and Forecasting Department Bulletin

DECEMBER 2024

CONTENTS

Executive summary	3
1. Inflation	4
1.1. Inflationary pressure above expectations in Q4	4
2. Economic performance	9
2.1. Gradual economic growth slowdown in Q4	9
2.2. Credit impulse declines	12
In focus. Demand for corporate loans (as of end-October)	15

The Research and Forecasting Department prepared this bulletin based on data as of 06.12.2024.

The views and recommendations expressed in the bulletin do not necessarily reflect the official position of the Bank of Russia.

Please send your comments and suggestions to dip1@cbr.ru

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Executive summary

Monthly summary

- Flash data and surveys point to the emergence of a trend in the growth of the Russian economy towards a gradual deceleration free of abrupt swings. While real wages remain in rapid growth territory and help shore up consumer demand, their growth slightly slowed. A spurt in consumer price growth was recorded in October–November. A return to low inflation will involve a long run of tight monetary conditions.
 - The national economy remained in expansion territory in the October to November period, with growth increasingly concentrated in several segments. The growth of the consumer sector, wholesale trade and manufacturing came together with weak readings in mining and quarrying, transport, and agriculture. Corporate loans grew at an invariably high pace through October, while the credit impulse in the broader economy continued to decline. Flash data show that corporate lending grew at a markedly more moderate pace in November.
 - Between October and November, more rapid growth was reported in consumer prices (seasonally adjusted). However, producer prices in consumer industries grew at a slower rate in October. The contribution of demand to current changes in consumer prices also declined. This comes as indirect evidence that current rises in retail prices are in large measure driven by short-lived market factors. Having said that, they may become protracted, given the repeat indexation of a recycling fee effective 1 January 2025 as well as the indexation of railway and passenger fares.
 - In October–November, the core segments of the Russian financial market came under pressure from the uncertainty over a new large-scale package of sanctions against the domestic financial sector, among other reasons. The equity market had to operate in fierce competition from bank deposits and money market funds that offered low-risk and lucrative alternatives.

In focus. Demand for corporate loans (as of end-October)

- A key rate increase by the Bank of Russia seeking to curtail proinflationary risks and bring inflation down to target translates into interest rates on loans to non-financial organisations. However, it had failed to slow growth in the corporate loan portfolio by end-October.
- The structure of banks' loan portfolios changed towards growing industries. This yet again bears out that interest rates do not hamper the development of the corporate sector in general. Loan demand is supported by, among other things, the need to finance projects as part of the economy's restructuring and the fact that companies preserved their positive expectations regarding the continuation of strong final demand for their products.
- The Bank of Russia is planning to impose macroprudential requirements for loans to large companies with an elevated debt-to-income ratio. This will allow banks to build up capital buffers for covering systemic risks.

1. Inflation

The effect of economic growth slowdown on consumer price growth will be lagged in time due to two groups of factors.

They are first of all demand-side factors. On the one hand, consumer demand remains strong, fuelled by wage growth outpacing a rise in labour productivity. On the other hand, consumer demand is gradually showing signs of cooling, although it is too early to claim that they suggest a clear trend. Competition for workers is still intense, but plans for hiring more personnel have become more moderate.

Second of all, it is the group of factors relevant to the supply of goods and services. Overall, it remains proinflationary, as evidenced by the proinflationary nature of the majority of one-off factors and an increase in costs on the back of external restrictions. We estimate that an input of supply-side factors to the ongoing price movements has tangibly expanded.

Meanwhile, conventional wisdom suggests that inflation is solely non-monetary in nature under current circumstances in Russia. One should, however, merely look at the pace of money supply (M2 or M2X) expansion to see that the elevated inflation rate is driven by monetary factors. As of the start of December, the above monetary aggregates' expansion stood at 20.1% YoY and 15.9% YoY, respectively,¹ with the pace of growth that fast registered since mid-2022. We note that in the period when inflation stayed close to 4%, these monetary aggregates climbed much more slowly, at an average rate of 10.0% and 7.3% in 2017—2019. The credit channel and the fiscal channel (financing of the budget deficit) pour much more money into the economy than it can absorb, even adjusted for the substitution of external borrowing with domestic debt, a rise in the economy's monetisation and other structural factors which temporarily weaken the link between money supply growth in the economy and inflation. This results in an elevated pace of price rises, leading to, among other things, an increase in production costs across a wide range of goods and services. The latter is often claimed to be the effect of non-monetary inflation factors, although the factors of cost increases are in fact frequently monetary in nature.

The slowdown of rises in monetary aggregates and prices alike will be brought about by the following factors:

- 1) a more moderate pace of lending growth, the signs of which are already visible;
- 2) the return of the budget to the fiscal rule parameters, planned to start as of 2025.

1.1. Inflationary pressure above expectations in Q4

- October and November still saw seasonally adjusted price growth far above 4% in annualised terms. Overall, inflationary pressure rose relative to the Q3 level. Despite some

¹ Excluding foreign exchange revaluation.

cooling of consumer demand, the supply-side factors spurred price growth more markedly, with ruble depreciation further ramping it up.

- Proinflationary risks have gained strength. Household and business inflation expectations have again risen. Against this background, the economy is set to finish 2024 with a higher than expected level of inflationary pressure.

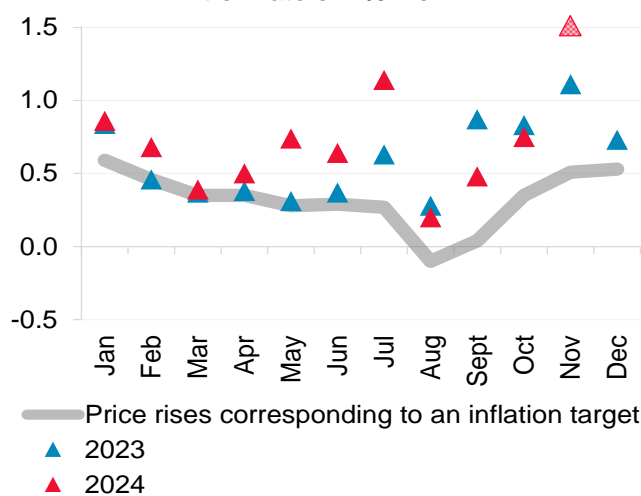
Consumer price growth slowed to 8.2% MoM SAAR in October from 9.9% MoM SAAR in September. Annual inflation edged down to 8.5% from 8.6% in September (Table 1).

Table 1. Inflation and its components

	ОКТ.	ОКТ.	АВГ.	СЕНТ.	ОКТ.
	2022	2023	2024		
% YoY					
All goods and services	12.6	6.7	9.1	8.6	8.5
Core inflation	16.2	5.5	8.4	8.3	8.2
Food	12.1	6.0	9.7	9.2	9.0
Non-food goods	14.1	5.1	6.1	5.6	5.7
Services	11.3	9.9	11.7	11.6	11.3
% MoM SAAR					
All goods and services	1.4	9.3	7.6	9.9	8.2
Core inflation	0.3	10.9	7.8	9.1	9.7
Food	-0.1	13.0	15.6	10.0	11.7
– net of fruit and vegetables	-2.2	14.2	8.0	11.4	13.4
Non-food goods	-0.6	5.6	6.9	6.5	7.2
– net of refined petroleum products	-0.8	9.8	5.3	5.5	7.3
Services	6.8	9.0	-1.3	13.8	5.1
– net of housing and communal services	9.1	9.3	-8.0	17.7	4.1

Sources: Rosstat, R&F Department estimates.

Figure 1. Price growth corresponding to an inflation rate of 4% MoM



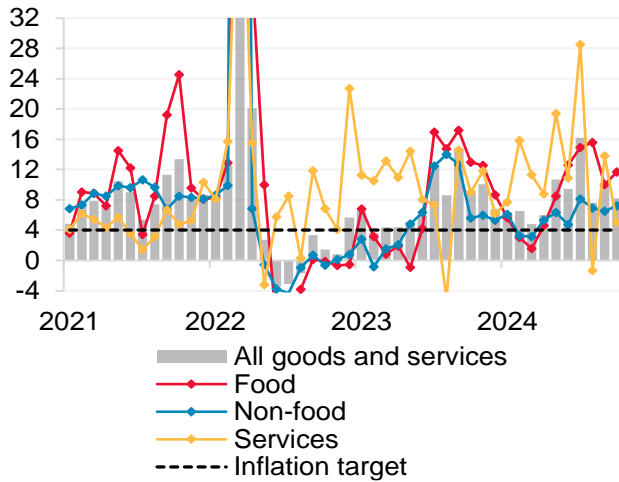
Note. The November 2024 reading is a preliminary estimate based on weekly data.

Sources: Rosstat, R&F Department calculations.

Despite the slowdown of headline CPI growth, inflationary pressure mounted in October. A hefty input to the slowdown came, for instance, from tourism services prices, net of which² price growth continued to accelerate, coming in at 10.8% MoM SAAR, up from 10.2% MoM SAAR in September and 8.8% MoM SAA in August. All analytical indicators suggest a rise in persistent inflationary pressure in October. The estimates of modified core inflation indicators went up (Figure 4). The price growth distribution median and the total weight of items rising in price at an accelerated pace continued to climb, with the weight of items showing a very fast price growth close to last year's highs (Figure 5). This suggests mounting price pressure across a wide range of items. The trend inflation estimate increased to 8.70% in October from 8.41% in September.

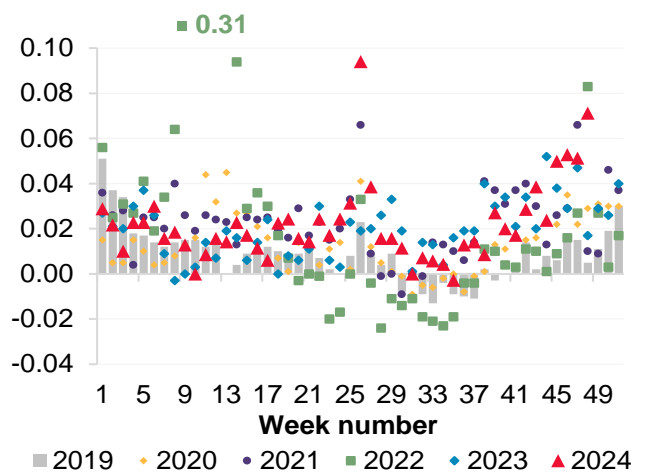
² The new seasonal pattern of change in demand and prices so far cannot be estimated by statistical methods, which gives extra volatility to seasonally adjusted price indices.

Figure 2. Seasonally adjusted price growth, % MoM SAAR



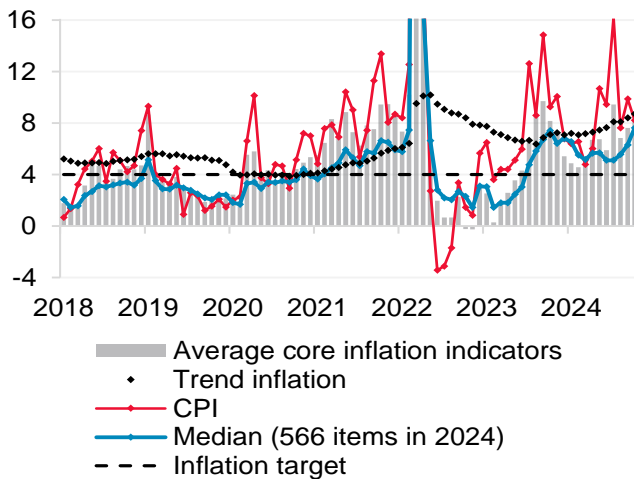
Sources: Rosstat, R&F Department calculations.

Figure 3. Average daily price growth, %



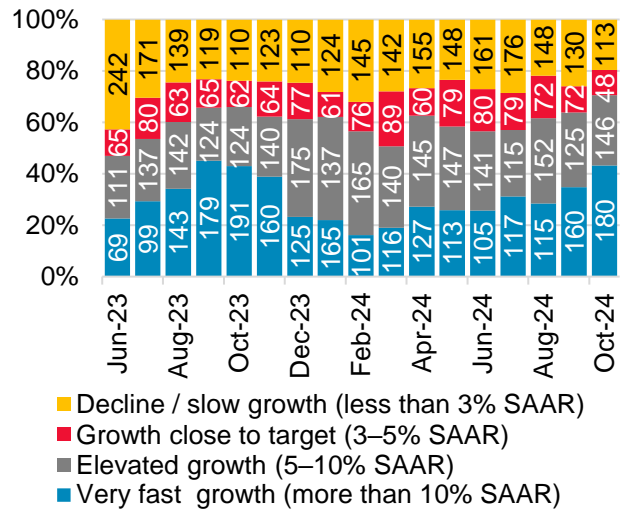
Sources: Rosstat, R&F Department calculations.

Figure 4. Modified core inflation indicators* (% in annualised terms) and trend inflation estimate (%YoY)



* Indicators are computed using the method of excluding the most volatile components and the truncation method.
Sources: Rosstat, R&F Department calculations.

Figure 5. Aggregate weight of goods and services* distributed based on seasonally adjusted price growth



*Net of fruit and vegetables and regulated services.
Note: The figures represent the number of items.
Sources: Rosstat, R&F Department calculations.

Based on weekly data, price growth accelerated to 15.4% MoM SAAR³ in November (Figure 3). The key contribution comes from food prices, driven to a large extent by supply-side factors (in particular, harvest contraction). Ruble depreciation also has an effect on prices. Weekly price growth accumulated from the start of the year moves along a path rising above the 8.0--8.5% range for the full year. That said, the price growth acceleration may have a far lesser impact on stable indicators.

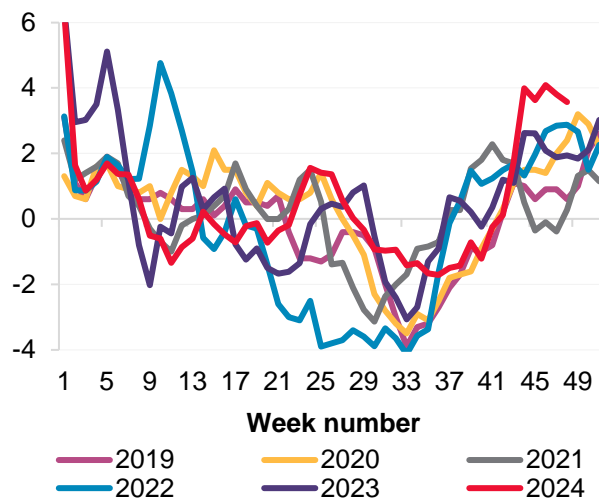
³ An estimate based on weekly data may substantially differ from the final reading for the month, in particular, because services account for a small share of the weekly basket.

A significant inflationary pressure intensification in Q4 is concentrated in the food segment. The pace of food price growth increased to 11.7% MoM SAAR from 10.0% MoM SAAR in September and may have accelerated even further in November. October's fruit and vegetable price rises came in slightly lower than assumed based on normal seasonality. November, however, saw a dramatic acceleration in price rises for this group of goods (Figure 6).

Price growth in other food items accelerated to 13.4% MoM SAAR in October from 11.4% MoM SAAR a month earlier. An increased pace of price rises continued in dairy and bakery products, price growth gained pace in fish products, cheeses, and confectionery items. November saw further price rise acceleration in some categories. [Beef producers note, among other factors, output price hikes by Belarus' factories.](#)

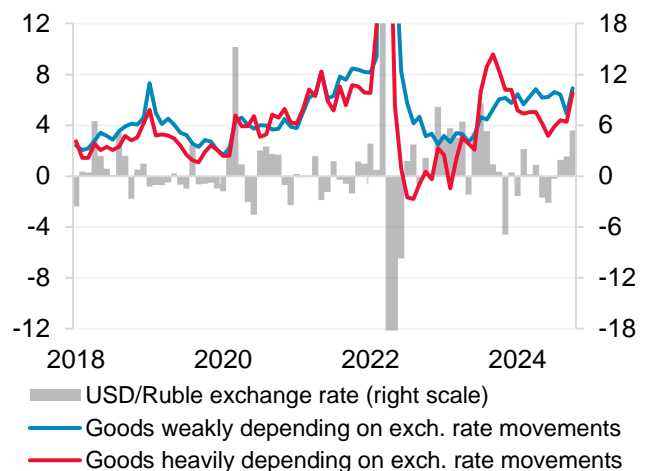
The non-food segment saw price rise acceleration to 7.2% MoM in October from 6.5% MoM SAAR in September. This was chiefly driven by hikes in the prices of imported (to a greater extent) and Russian cars on the back of a disposal fee increase as of 1 October. Ruble weakening made a contribution to price movements in late November, as evidenced by price rise acceleration in electronic goods.

Figure 6. Fruit and vegetable weekly growth rate, % WoW



Sources: Rosstat, R&F Department calculations.

Figure 7. Median CPI (% MoM SAAR) and US dollar to ruble exchange rate (%)



Sources: Bank of Russia, Rosstat, R&F Department calculations.

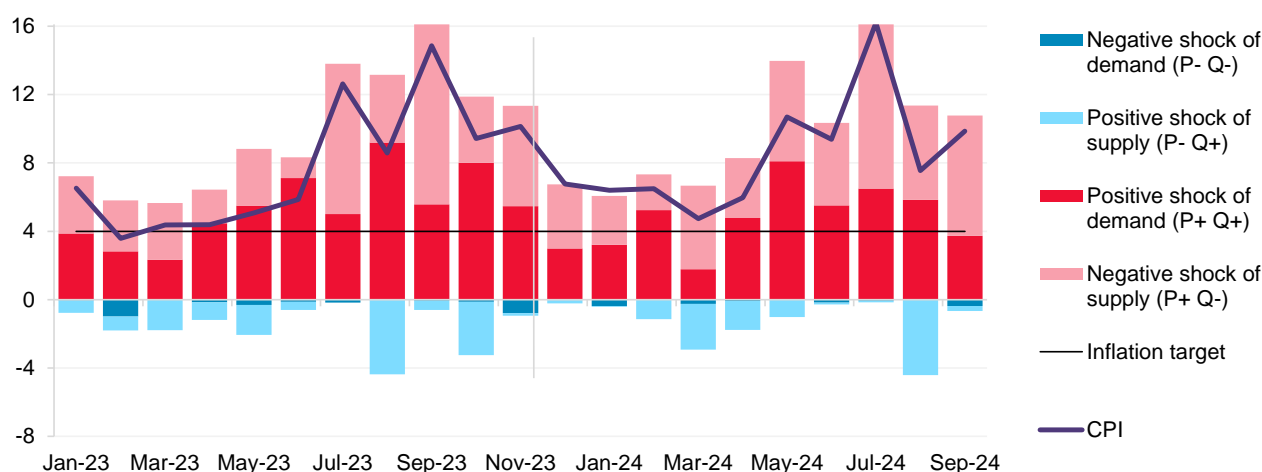
The pace of services price hikes slowed to 5.1% MoM SAAR in October from 13.8% MoM SAAR in September. Volatility remains substantial because of changes in a number of components' seasonality, with a fall in tourism services prices playing the major role. Net of tourism and transport, services price growth accelerated to 14.1% MoM SAAR from 10.6% MoM SAAR in September. There was an acceleration in the pace of personal services prices the most sensitive to increases in labour MoM SAAR compared with 10.6% MoM SAAR in September).

The impact of exchange rate changes on price rises in October—November was on the whole moderate. The median of price rises in goods and services increased in the groups both highly and weakly sensitive to ruble exchange rate fluctuations (Figure 7). A substantial ruble

weakening in the second half of November somewhat affected price movements between late November and early December. Ruble strengthening that followed may mitigate this impulse.

Overall, supply-side factors seem to have started forming a more significant input to price growth in Q4. The emergence of this trend is visible as early as in September's data. The decomposition of price growth based on paper (Sheremirov, 2022⁴) shows a shift of the key proinflationary impact from demand to supply, primarily in food products. That said, the input of demand-side factors to price growth in September dropped below 4 percentage points. As of October, Rosstat ceased to release data on the retail sales of individual goods and services based on which this decomposition is computed. But a sustainable rise in the sales of food, while its output is stagnating, suggests that accelerated price increases in this part of the consumer basket are largely owed to supply-side factors.

Figure 8. Price growth decomposition, % MoM SAAR

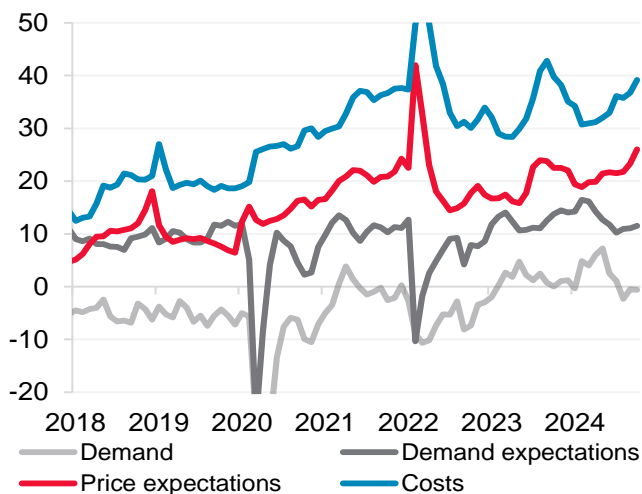


* The diagram uses Rosstat data on CPI and retail sales (in physical terms) for 45 categories of goods and services with a total weight of more than 80% of the consumer basket. The idea of the method is based on the baseline model of aggregate demand and supply: if changes in price (P) and volume of consumption (Q) are oppositely directed, then the cause of these changes is deemed to be a shift of the supply curve, if changes are codirectional, then the cause is assumed to be the shift of the demand curve. Unlike the key method of the source paper, trend removal is not conducted.

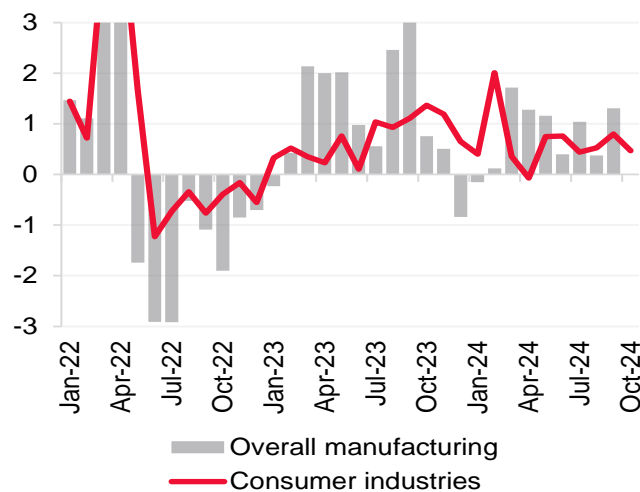
Sources: Rosstat, R&F Department calculations.

[November saw household inflation expectations](#) remain on October's elevated level. A trend towards companies' price expectations strengthening also continued against a backdrop of comparable changes in costs (Figure 9). Growth in producer prices of consumer goods slowed to 0.5% MoM in October from 0.8% MoM in September (Figure 10), but may have accelerated in November, as suggested by a rise in PMI price indices in the manufacturing sector. Overall, high inflation expectations along with a possible strengthening of one-off proinflationary factors (for instance, ruble weakening pass-through) ramp up the risks of finishing 2024 with the ongoing fast rate of price rises.

⁴ Sheremirov V. (2022). Are the Demand and Supply Channels of Inflation Persistent? Evidence from a Novel Decomposition of PCE Inflation. Federal Reserve Bank of Boston Current Policy Perspectives. November 4, 2022.

Figure 9. Business monitoring data for the economy at large, p, SA

Source: Bank of Russia.

Figure 10. Producer price index in manufacturing, % MoM

Sources: Rosstat, R&F Department calculations.

2. Economic performance

It appears from statistical data, real-time indicators and business surveys that the Russian economy continued to grow at a moderate pace in October–November. That said, in October, GDP growth was adversely affected by a smaller harvest as compared to the last year. The level of optimism in producers and consumers' expectations declined versus previous quarters because of continued labour market tightness and an acceleration in the rise of costs.

The consumer segment sees continued moderate growth, restrained, on the one hand, by some slowdown in real wage increases, and on the other hand, by a rise in the savings ratio. The latter is in turn a consequence of large savings from current income and a substantial slowdown in retail lending. Meanwhile, labour market tightness so far continues, implying further confident growth in labour income in short term, which is set to buttress consumption.

2.1. Gradual economic growth slowdown in Q4

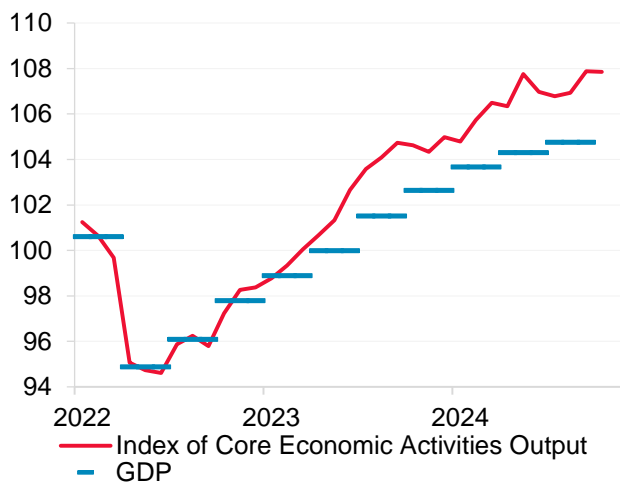
- Annual economic activity expansion slowed to 3.1%⁵ in Q3 from 4.1% in Q2. This means that quarter-on-quarter growth softened to 4.1% QoQ SA from 0.6% QoQ SA in Q2, which was also evidenced by real-time statistics. It appears from real-time data in October–November that the gradual activity slowdown trend continued in Q4.
- October's core industries output came in just above the average Q3 level (Figure 11), with the situation varying across industries. Growth was restrained by the mining and quarrying, agricultural, transportation and construction segments, whose slowing or near-

⁵ A preliminary Rosstat estimate.

zero growth was chiefly owed to industry-specific factors.⁶ An upward trend continued in wholesale trade and manufacturing (Figure 13). The latter is gaining momentum thanks to industries meeting domestic investment, government and consumer demand. Output contraction in industries meeting intermediate demand continued amid stagnation in the manufacture of petroleum refining products and manufacture of basic metals (Figure 14), which is primarily due to external restrictions.

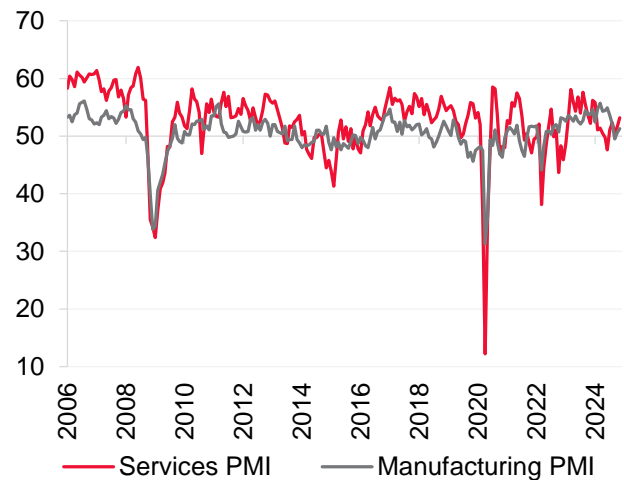
- Business surveys suggest, in aggregate, that the level of companies' optimism declined compared with previous quarters amid workforce shortages and an acceleration in the rise of costs. The composite index of industrial forecasts from the Institute for Economic Forecasting of Russia's Academy of Sciences lost 5 points in November, hitting a 27-month low. At the same time, the Bank of Russia's Business Climate Indicator edged up 0.2 points, but stands far below the average H1 level. All of the above is borne out by November's PMI registering an activity rebound in the private sector amid new orders growth and continuing pressure from costs (Figure 12).
- Consumer demand stays at an elevated level, despite the cooling of consumer lending. October's consumption dropped to the average Q3 quarter level after a spike in September driven by a surge in demand for cars (Figure 15). That said, daily spending statistics do not show a pronounced slowdown in November (Figure 16).
- All this is taking place amid continued wage growth (up 1.3% MoM SA and 0.5% MoM SA in nominal and real terms, respectively) and increasing labour market tightness: the unemployment rate hit an all-time low of 2.3% SA in October (Figure 17) as labour demand rises further, outpacing an increase in labour headcount (Figure 18). This further prompts growth in workers' confidence regarding their employment prospects and income expansion (Figure 19, Figure 20).

Figure 11. Core economic activities output and GDP, Q4 2021 = 100, SA



Sources: Rosstat, R&F Department calculations.

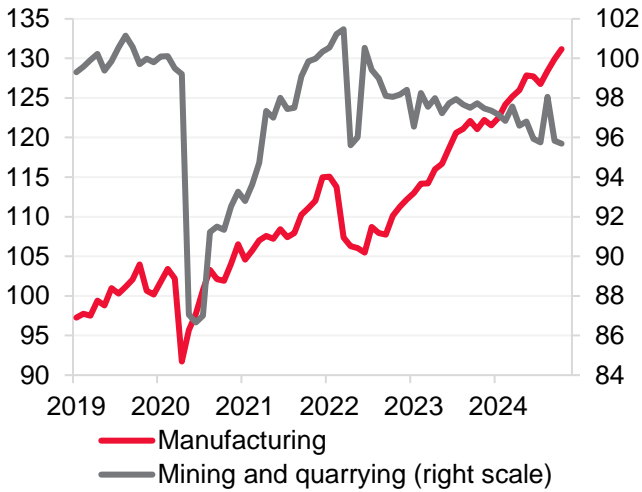
Figure 12. Russia's Manufacturing and Services PMI, points



Source: S&P Global.

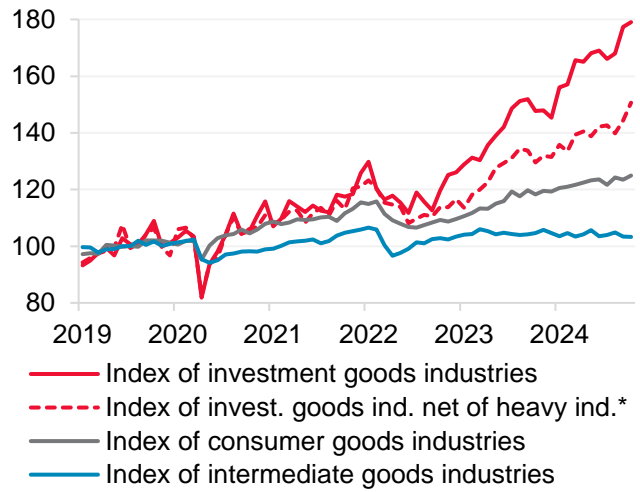
⁶ Compliance with the OPEC+ agreement, poor harvest, limited railroad traffic capacity, winding down of subsidised mortgage lending programmes.

Figure 13. Mining and quarrying and manufacturing indices (2014 = 100), SA



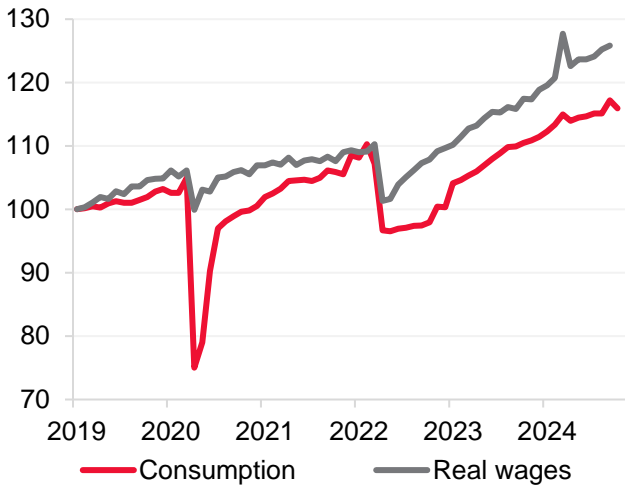
Sources: Rosstat, R&F Department calculations.

Figure 14. Output in groups of manufacturing industries, SA, 2019 = 100%⁷



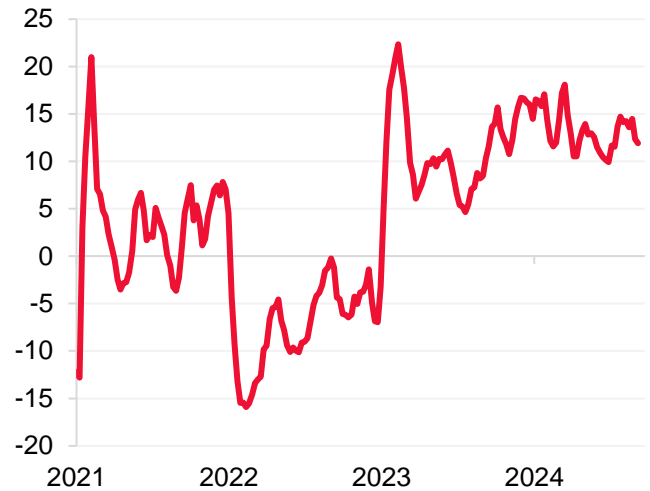
Sources: Rosstat, R&F Department calculations.

Figure 15. Proxy for consumption (sum of retail, services, and food service sales) and real wages, 01.2019=100, SA, %



Sources: Rosstat, Bank of Russia, R&F Department calculations.

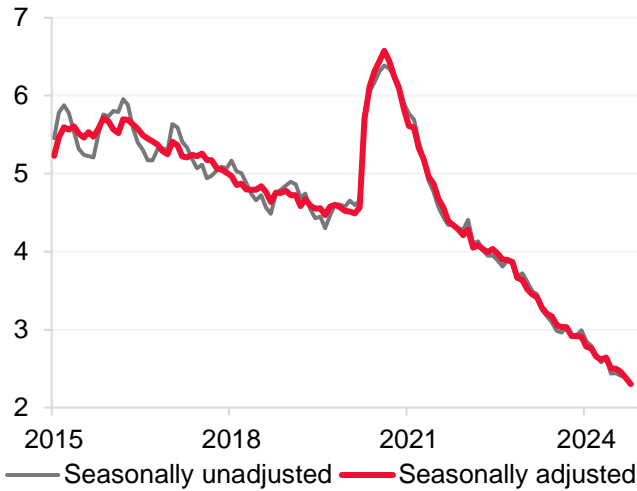
Figure 16. Real daily consumer expenditure growth (4-weeks average), % YoY



Sources: Romir, R&F Department calculations.

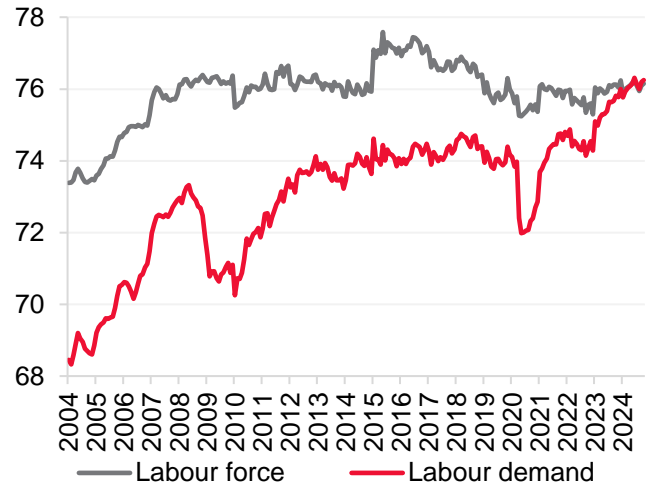
⁷ The production of "finished metal products other than machinery and equipment" and "other vehicles and equipment" are excluded.

Figure 17. Unemployment rate, %



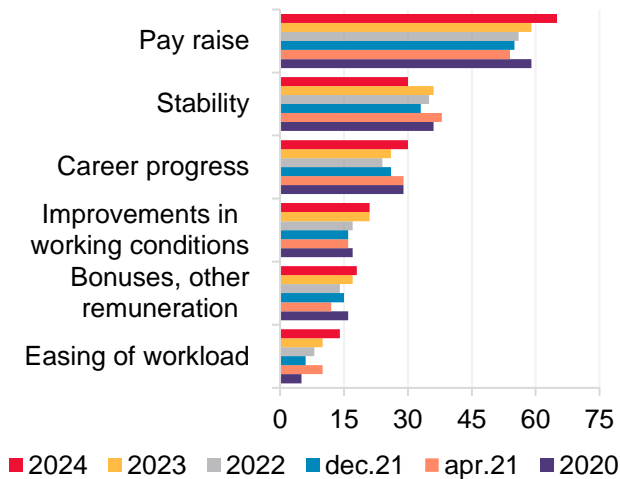
Sources: Rosstat, R&F Department calculations.

Figure 18. Labour demand and labour force, million people, SA



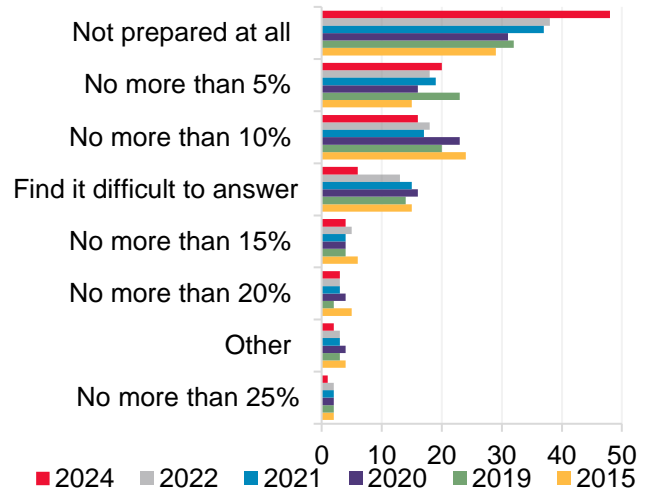
Sources: Rosstat, R&F Department calculations.

Figure 19. “What do you first of all expect from your job next year?”, %



Source: SuperJob.

Figure 20. “If you are offered a lower pay at an interview, how much are you prepared to lower your salary expectations?”, %



Source: SuperJob.

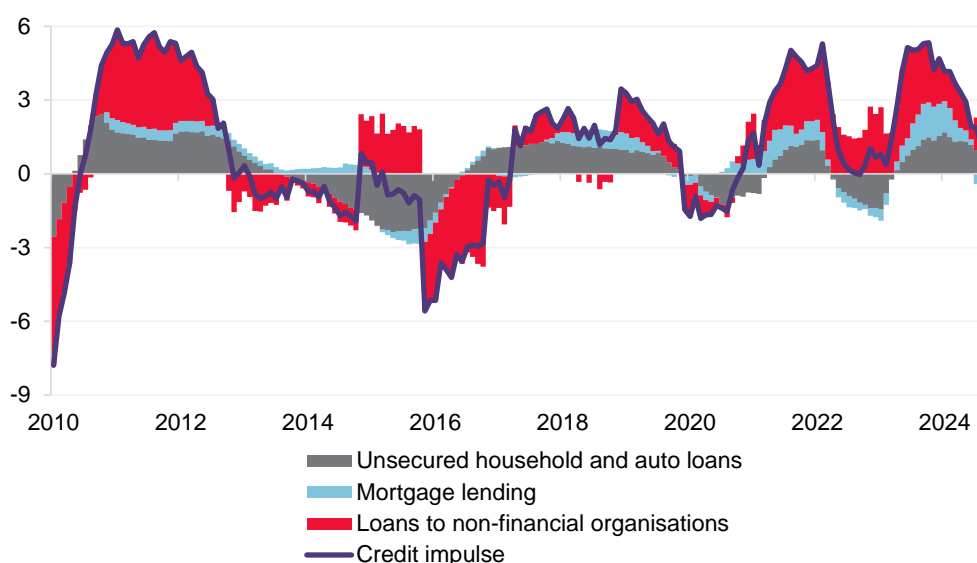
2.2. Credit impulse declines

- The credit impulse continued to decline in October. This means that lending is making an increasingly smaller contribution to aggregate demand expansion (Figure 21). Meanwhile, the performance of lending segments varies widely: the main input to the decline comes from retail lending (above all, mortgage lending), whereas the impulse of corporate lending rose in October. At the same time, real-time data suggest that corporate lending growth became notably more modest in November.
- Retail loan portfolio growth continued its gradual slowdown -- to 0.26% MoM SA from 0.33% MoM SA, Figure 22), dragged down by high interest rates and tightening macroprudential

requirements. Mortgage lending saw the portfolio contract 0.6% MoM SA (Figure 23)⁸. The unsecured consumer loan portfolio dropped 0.4% MoM SA, with the value of loans provided declining in annual terms (Figure 24). Auto lending continued to grow at 2.0% MoM SA, but much more slowly than in previous months. Demand for cars -- and, accordingly, for auto loans, began to cool after a surge ahead of a disposal fee hike as of 1 October.

- The structure of consumer loans only registered a rise in the total amount and share of loans provided via credit cards. A significant proportion of debt thus incurred falls on the grace period. That said, the macroprudential limits in place will limit the accumulation of excessive growth in debt of the most heavily indebted borrowers.
- Despite the [tightening of bank lending terms and conditions](#), fast growth in lending to non-financial organisations continued in October at 2.2% after 2.3 MoM SA in September. Loan demand was buoyed by strong business activity and companies' optimism regarding demand. Amid credit overheating, banks need to accelerate the accumulation of capital buffer to cover systemic risks. Therefore, the Bank of Russia has accelerated the introduction of an anticyclical add-on for capital adequacy requirements and is considering the imposition of macroprudential add-ons for loans to corporate borrowers with a high debt-to-income ratio.
- October saw household ruble holdings at banks expand at a rate comparable with that in August -- 2.3% MoM SA. (Figure 26). Their growth was underpinned by deposit rate hikes following the key interest rate raises and by banks' strengthening competition for household funds in order to meet the current liquidity ratios (the spread between the deposit rate and the Bank of Russia's key interest rate widened in October). The retail segment's performance generally points to households' gradual shift to the savings oriented behaviour model. Expansion in corporate ruble funds accelerated to 3.0% MoM SA from 1.7% MoM SA following a rise in return on corporate deposits on the back of banks' strengthening competition for stable funding (Figure 27).

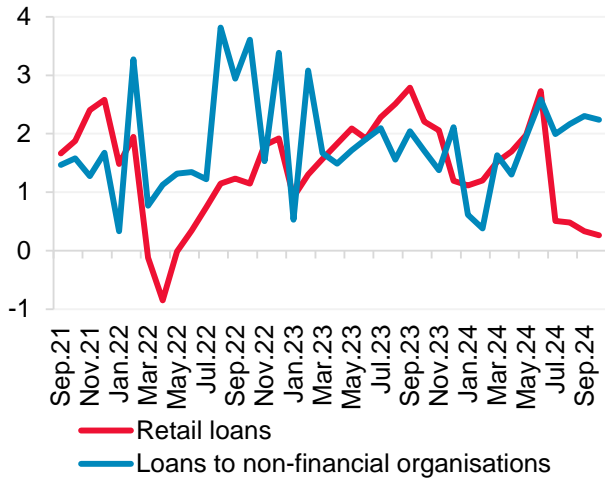
Figure 21. Credit impulse, % of GDP



Sources: Bank of Russia, R&F Department calculations.

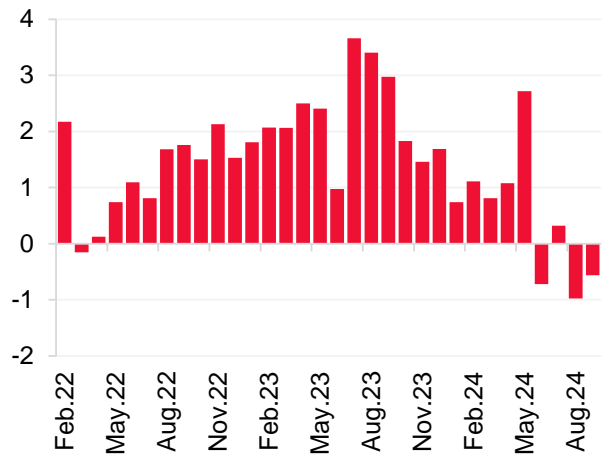
⁸ A decline of 0.8% MoM SA adjusted for securitisation.

Figure 22. Ruble loans portfolio growth, % MoM SA



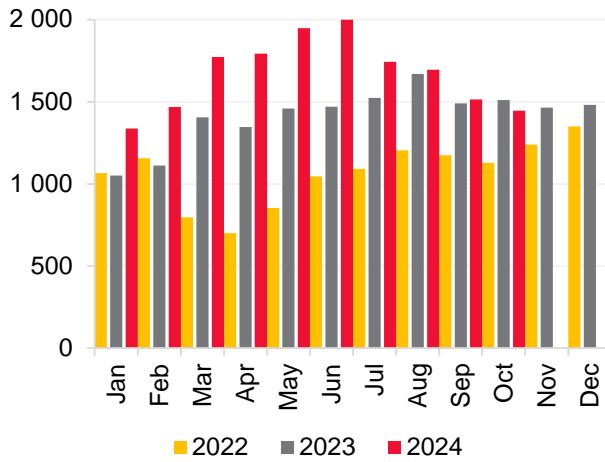
Sources: Bank of Russia, R&F Department calculations.

Figure 23. Mortgage lending portfolio growth, % MoM SA⁹



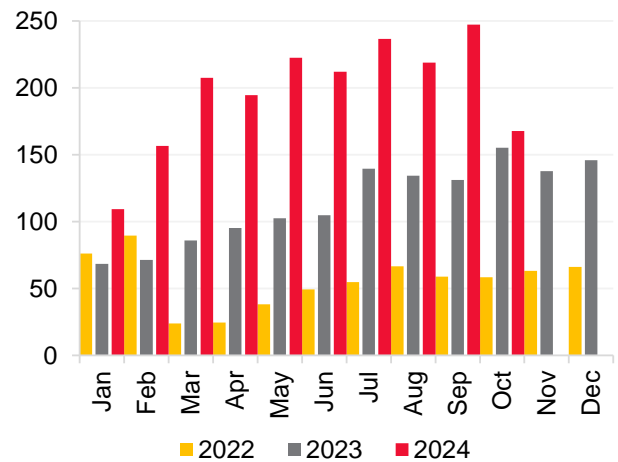
Sources: Bank of Russia, R&F Department calculations.

Figure 24. Unsecured consumer loans, billion rubles



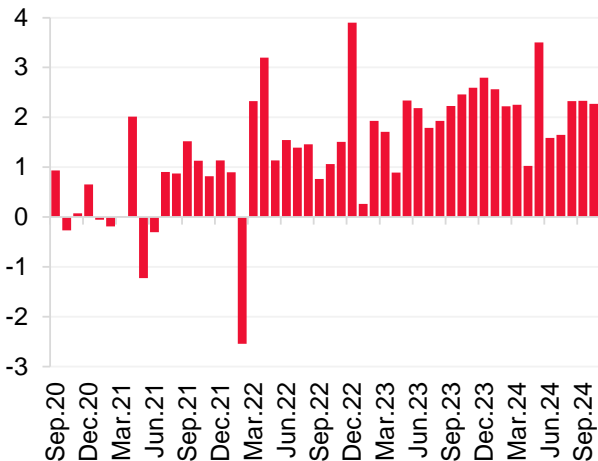
Sources: Bank of Russia, R&F Department calculations.

Figure 25. Auto loans, billion rubles.



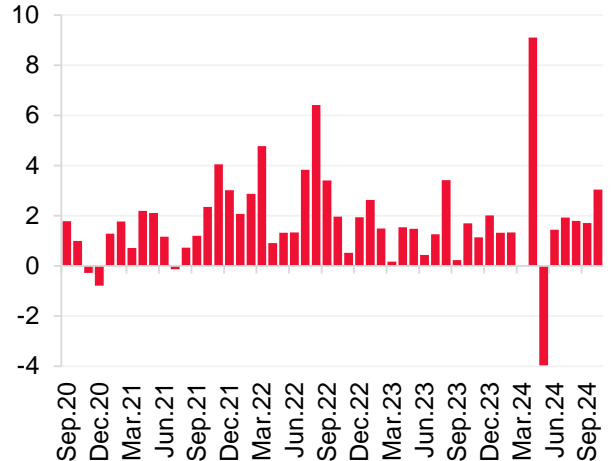
Sources: Bank of Russia, R&F Department calculations.

Figure 26. Household ruble funds at banks, % MoM SA



Sources: Bank of Russia, R&F Department calculations.

Figure 27. Corporate ruble funds at banks, % MoM SA



Sources: Bank of Russia, R&F Department calculations.

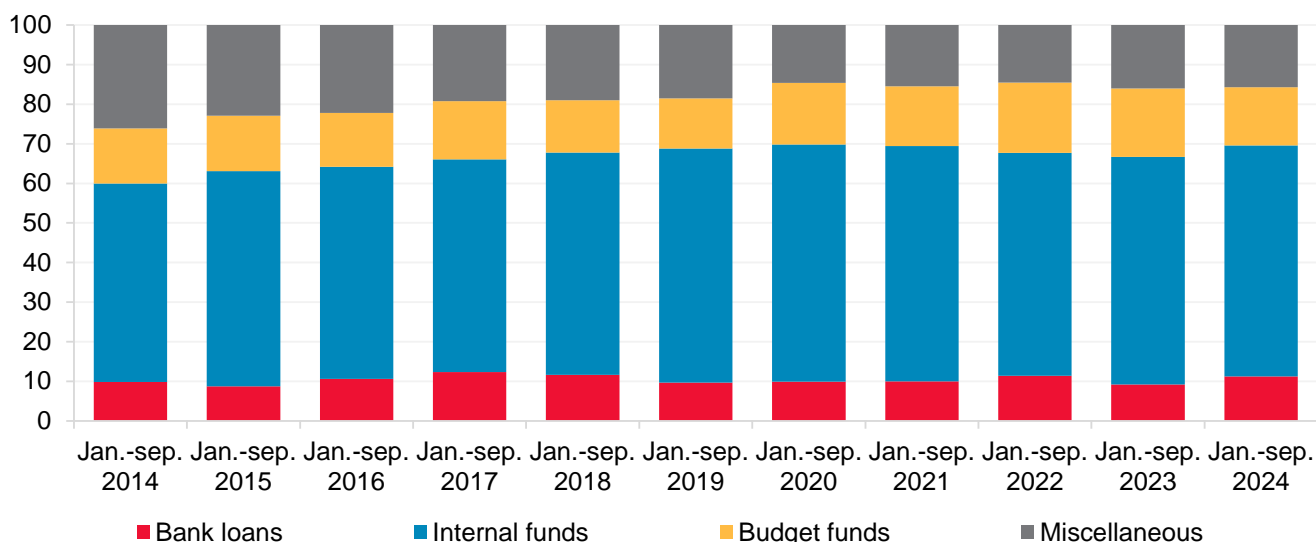
⁹ Excluding acquired claim right and securitisation.

In focus. Demand for corporate loans (as of end-October)

- A key rate increase by the Bank of Russia seeking to curtail proinflationary risks and bring inflation down to target translates into interest rates on loans to non-financial organisations. However, it had failed to slow growth in the corporate loan portfolio by end-October.
- The structure of banks' loan portfolios changed towards growing industries. This yet again bears out that interest rates do not hamper the development of the corporate sector in general. Loan demand is supported by, among other things, the need to finance projects as part of the economy's restructuring and the fact that companies preserved their positive expectations regarding the continuation of strong final demand for their products.
- The Bank of Russia is planning to impose macroprudential requirements for loans to large companies with an elevated debt-to income ratio. This will allow banks to build up capital buffers for covering systemic risks.

Lending is an important but not the main source of financing fixed investment, which is typical of most world's countries. The share of bank loans in the structure of Russia's fixed investment financing is historically low, accounting for around 10% of the total (Figure 42). At the same time, lending growth helps the economy's restructuring in the current conditions.

Figure 42. Structure of fixed investment financing*, %



*Excluding SMEs and a total of loans which direct statistical methods fail to capture.

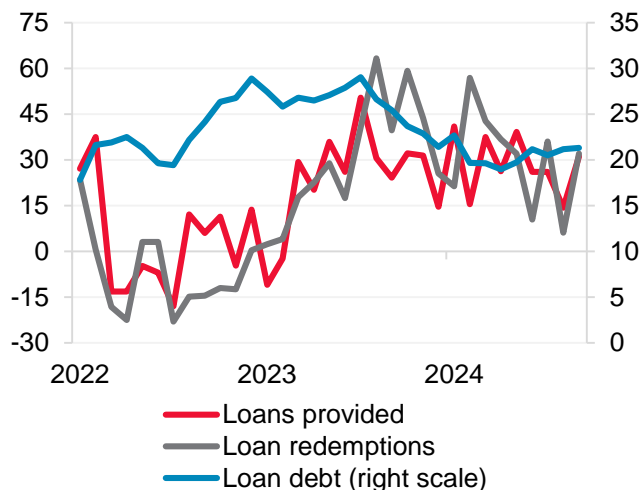
Sources: Rosstat, R&F Department calculations.

Ruble lending to non-financial organisations has, for a long time now, grown at a fast pace. The loan portfolio and the value of new loans issued¹⁰ also show an elevated rate of growth (Figure 43). This is taking place despite consistent monetary policy tightening by the

¹⁰ While keeping up [good loan quality](#).

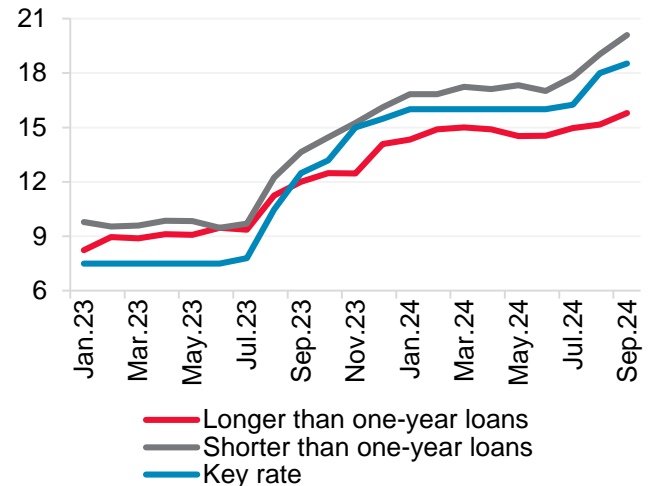
Bank of Russia, which banks promptly translate into interest rates used in lending to non-financial organisations (Figure 44). Therefore, the interest rate channel of the transmission mechanism shows its effectiveness. At the same time, the transmission of the impulse from it to the credit channel is so far weak where corporate lending is concerned. Companies preserve appetite and ample opportunities for raising debt even at dramatically increased rates.

Figure 43. A total of ruble loans provided, loan debt and loan redemptions by non-financial companies, % YoY



Sources: Bank of Russia, R&F Department calculations.

Figure 44. Interest rates on ruble loans provided to non-financial organisations and Bank of Russia's key rate, %



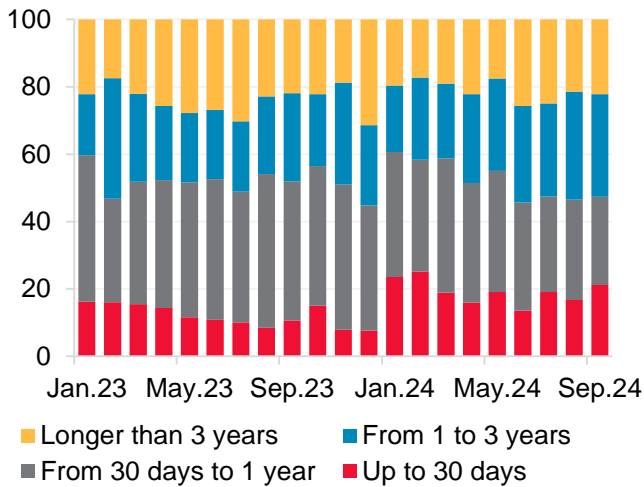
Sources: Bank of Russia, R&F Department calculations.

This is also evidenced by a more detailed analysis of corporate borrowing structure. The structure of new loans by maturity (Figure 45) and industry (Figure 47) show relative stability over recent quarters. Indeed, the share of medium- and long-term lending remains elevated, accounting for about half of newly provided loans. A sizeable amount of new loans is raised by companies of the financial industry, including leasing and factoring businesses, and by wholesale and retail trade, transport and construction companies. Meanwhile, there are no industries whose access to borrowing would sharply contract in the current cycle of monetary tightening. Moreover, banking statistics suggest that an increasingly large number of industries in the economy have shown their loan portfolio growth in recent months (Figure 46).

Industries which became loan raising leaders in 2024 were also GDP growth drivers:¹¹ finance, trade, manufacturing, construction. Thus, the structure of banks' loan portfolios changed towards growing industries.

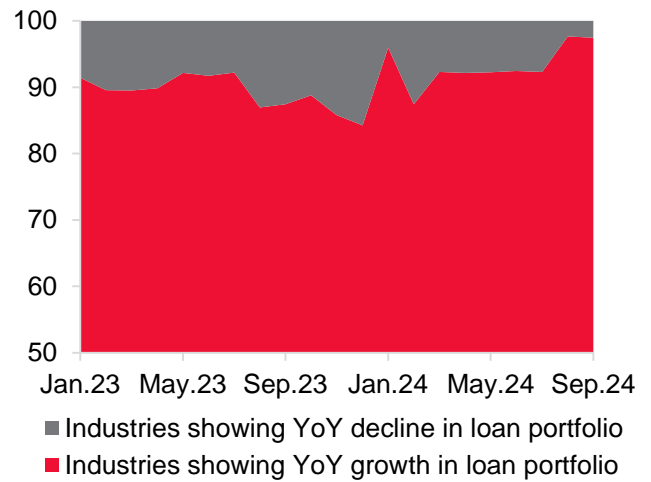
¹¹ In particular, in H1 2024, according to gross value added breakdown by production method.

Figure 45. Term structure of newly provided loans to non-financial companies, %



Sources: Bank of Russia, R&D Department calculations.

Figure 46. Loan portfolio structure by industry under OKVED2 (economic activities classification)*, %

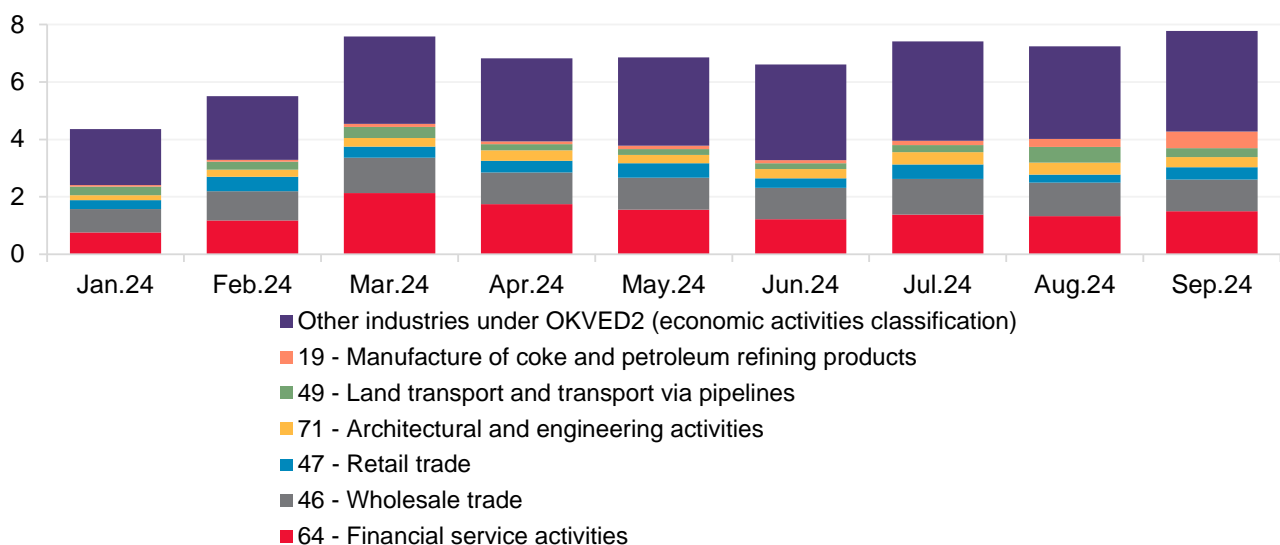


* Change YoY

Sources: Bank of Russia, R&F Department calculations.

The following factors can be isolated among those supporting companies' demand for lending at high interest rates. Medium- and long-term lending is stimulated by, in particular, implementation of investment projects as part of the economy's restructuring and financed (or co-financed) with, among other things, budget funds. Amid relatively fast economic activity growth, companies see good prospects for business activity expansion, which decreases the sensitivity of loan demand to banks' interest rates. Also playing a role in loan demand is the refinancing of external debt incurred in the period of companies' full-scale access to the international capital market along with financing of purchasing businesses from foreign investors. Companies rely on short-term loans to meet their operational needs, in particular, as payment processing is getting longer and demand for advance payments is increasing, with the need for working capital funding is rising because of dramatically climbing non-interest costs.

Figure 47. Structure of new ruble loans by industry in 2024, trillion rubles



Sources: Bank of Russia, R&F Department calculations.

Fast lending growth is fraught with the accumulation of systemic credit risks. Against this background, the Bank of Russia increased macroprudential requirements for banks. For instance, as of 1 February 2025, the Bank will impose an anticyclical add-on of 25% of risk-weighted assets for capital adequacy ratios. On top of that, it is considering imposing macroprudential add-ons for loans to large corporate borrowers with a high debt-to-income ratio. These measures will help build up capital buffer to cover systemic risks.

Although loan demand reacts to changes in loan rates more slowly than earlier, a tight monetary stance will help return to a more moderate pace of loan growth and a more balanced change in aggregate demand, thus ensuring a return to an inflation rate of 4%.

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