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

Cover photo: shutterstock.com/FOTODOM
Address: 12 Neglinnaya Street, Moscow, 107016
Bank of Russia website: www.cbr.ru

Executive summary

MONTHLY SUMMARY

- The Russian economy is still adjusting to a changing environment marked by high uncertainty. Economic activity data across industries in May–June remained widely diverse. The average level of consumer prices was essentially unchanged, in large part on the back of an off-season decline in prices for fruit and vegetables and a stronger ruble. With restrictions on capital flows still in place, the Russian financial market was shaped by domestic factors. Absent the fiscal rule, the exchange rate posted increased volatility and sensitivity to developments in global commodity markets.
  - In May–June, the Russian economy mainly evinced signs of stabilisation while sectoral data diverged widely. Negative trends emerged in May in manufacturing and the transportation sector among others, while growth was seen in the mining industry. The risks of weakening economic activity are still high given that foreign economic restrictions and sanctions remain in place.
  - The June decline in consumer prices comes as a result of one-off factors that are expected to fade before long. Adjusted for their effects, the current growth of consumer prices is deemed as high relative to the Bank of Russia target, and inflation risks are considered higher than disinflationary ones. Inflation is set to return to 4% in 2024 under the influence of the monetary policy stance that addresses these risks.
  - June saw a decline in yields on Russian ruble bonds and a rise in their turnover, in response to benign price data and stronger expectations of market participants as to further key rate reduction. At the same time, the volumes of transactions in the markets remained lower compared to the beginning of the year.

In focus: The Russian economy is less reliant on intermediate than investment imports

- The reliance of the Russian economy on imports of goods for intermediate consumption is low relative to other countries – both at the macro level and across most industries. This is a result of poor involvement in complex global value chains and high self-sufficiency in commodity products.
- This suggests that the scale of supply-side constraints across a large number of industries may be relatively small. But industries with a relatively high reliance on intermediate imports have limited substitution opportunities, so they were therefore forced to cut back production. This is a primary source of inflation risks.
- Over the medium term, the most important and difficult task on hand is to replace investment imports and arrange supplies of investment goods from new foreign providers. This would in many ways determine the nature and scale of a structural transformation of the Russian economy, as well as its potential growth and growth trajectory.

1. Inflation

Annual inflation deceleration involving the consumer price level decline in June has stemmed from one-off factors, such as further ruble strengthening and an unseasonal fruit and vegetable price drop after an anomalous jump in March. Nevertheless, this price move has had a beneficial effect on consumer confidence, bringing down most economic agents' inflation expectations and reducing medium-term pro-inflationary risks somewhat.

A real decline in consumer demand, following a drop in real wages and household income, has also played a disinflationary role. This, however, reflects mainly an adjustment of income and demand to new realities, and is, therefore, structural in nature. The cyclical income and demand contraction is little pronounced and hard to identify. In this situation, a pro-active demand stimulation with no regard for the emerging new realities may be fraught with an increase in market imbalances and a significant price rise acceleration. Indeed, the stubbornly fast pace of price rises in consumer services suggests that the demand level in this segment is elevated relative to supply, given a rise in costs.

One could expect that as the exchange rate stabilises, driven by a gradual adaptation of foreign trade flows to existing and new restrictions, the ongoing consumer price rises will accelerate in seasonally adjusted terms. It is important that this acceleration follow the path of inflation's return to a rate of 4% in 2024.

1.1. Temporary factors cause inflation to slow

- Annual inflation slowed in May–June after hitting a peak in April. Month-on-month price rises declined to their lowest levels compared with the same periods of previous years.
- An important contribution to the price rise slowdown came from temporary factors, such as an unseasonal decline in fruit and vegetable prices and a compensation for March's overly fast pace of price hikes in goods and services highly dependent on exchange rate movements against a backdrop of strong ruble appreciation.
- The analytical indicators portraying the most stable component of price movements suggest that inflationary pressure keeps above 4% in annualised terms. This is especially notable in the unregulated services prices. The balance of inflation target risks in the medium term still leans towards pro-inflationary ones.
- That said, the overall pace of consumer price rises may, for some more time, remain slowed, driven by temporary factors. As these fade, price movements will be affected by both pro-inflationary factors of supply-side constraints and disinflationary factors of a consumer activity decline. Their relative dynamics will govern an inflation path going forward.

Annual inflation slid in May–June from its April's peak to come in at to 17.1% and 15.9% respectively (Table 1, Figure 1). This resulted from, above all, the correction of prices after their record growth in March: price growth slowdown in May changed to a price drop in June (Figure

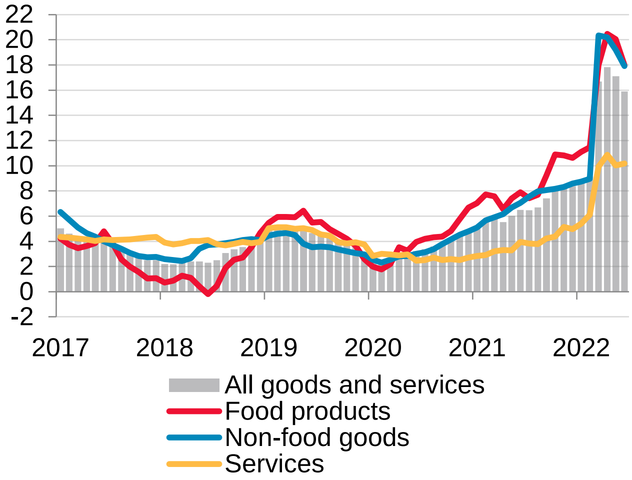
2). Month-on-month price rises in seasonally adjusted terms were the lowest compared with the same periods of previous years (up 2.1% MoM SAAR and down 2.8% MoM SAAR, respectively). The correction stemmed from a strong ruble appreciation and a fall in demand after a panic buying spike in February–March.

Table 1. Inflation and its components

	June 2020	June 2021	April 2022	May 2022	June 2022
% YoY					
All goods and services	**3.2**	**6.5**	**17.8**	**17.1**	**15.9**
Core inflation	**2.9**	**6.6**	**20.4**	**19.9**	**19.2**
Food	3.9	7.9	20.5	20.1	18.0
Non-food goods	3.0	7.0	20.2	19.2	17.9
Services	2.5	4.0	10.9	10.0	10.2
% MoM SAAR					
All goods and services	**3.4**	**9.7**	**19.6**	**2.0**	**-2.8**
Core inflation	**4.7**	**11.0**	**23.5**	**5.1**	**3.9**
Food	5.8	12.6	36.7	8.4	-8.4
– net of fruit and vegetables	**5.3**	**7.5**	**49.3**	**16.1**	**4.9**
Non-food goods	5.1	9.5	6.7	-0.7	-4.0
– net of refined petroleum products	**4.2**	**9.9**	**8.1**	**-0.5**	**-4.2**
Services	-2.1	5.8	15.0	-3.3	8.0
– net of housing and communal services	**-5.1**	**6.7**	**21.9**	**-7.5**	**10.1**

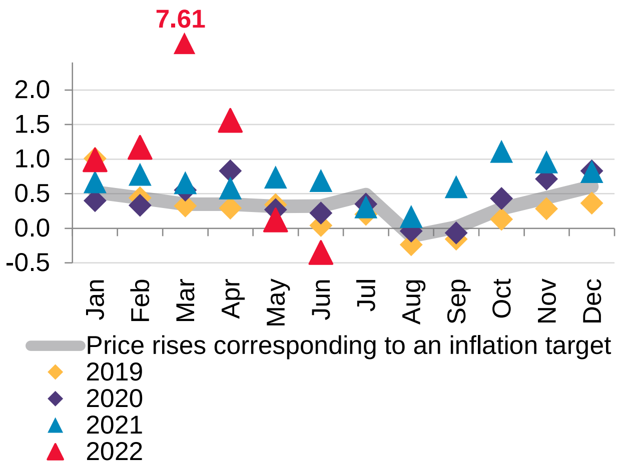
Sources: Rosstat, R&F Department estimates.

Figure 1. Inflation and its components, % YoY



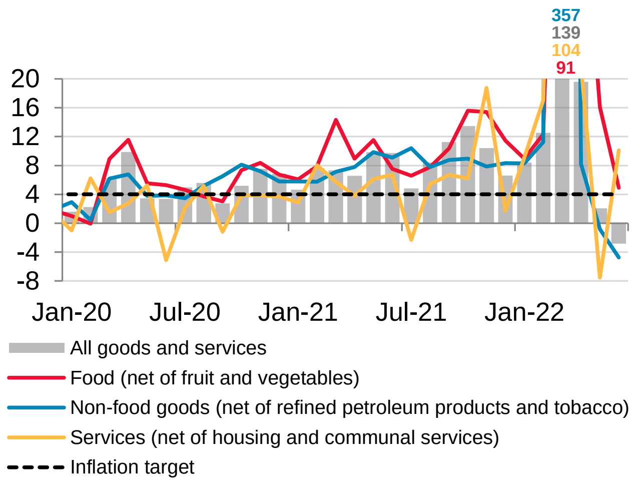
Source: Rosstat.

Figure 2. Price rises corresponding to an inflation rate of 4%, % MoM



Source: Rosstat, R&F Department estimates.

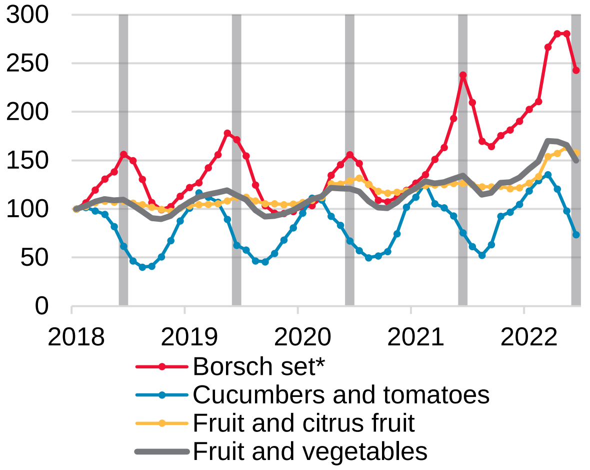
Figure 3. Seasonally adjusted price growth, % MoM SAAR



Sources: Rosstat, R&F Department estimates.

In the food segment, 8.4% SAAR price growth in May gave place to a price decline at the same rate in June (Table 1). The key disinflationary input came from an acceleration in an unseasonal fruit and vegetable price decline. This decline sets off an overly faster price growth in Q1 (Figure 4). A gap between the current prices of fruit and vegetables and their prices in previous years is so far there, hence prices may continue to correct down in the immediate future, outpacing the normal seasonality pattern (Figure 5).

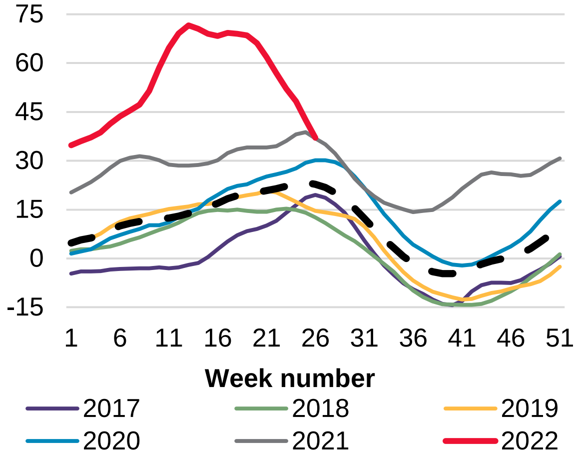
Figure 4. Fruit and vegetable price index, January 2018 = 100%



**Comprised of potatoes, cabbages, onions, beets, and carrots.*

Sources: Rosstat, R&F Department estimates.

Figure 5. Change in fruit and vegetable prices relative to the 2017 average, %



Note. The dotted line denotes the 2017–2021 average. The year 2020 is moved one week forward for a more accurate comparison of weeks.

Sources: Rosstat, R&F Department estimates.

Net of fruit and vegetables, food price rises slowed from 16.1% MoM SAAR in May to 4.9% MoM SAAR in June. Whereas food price growth remained generally elevated in May relative to the level of late 2021 – early 2022, with a price decline only posted in sugar and eggs, June saw a significant increase in the number of items whose price growth slowed or changed to a decline. At the same time, weekly statistics suggest that the lowest level of prices for many food items may have been passed: after a slowdown in price rises / a price decline in the first three weeks of June, the pace of price growth in a great number of categories started to climb towards the end of the month.

A price decline in the non-food segment which started in May to come in at 0.7% MoM SAAR, accelerated to 4.0% MoM SAAR in June. The price drop was helped by a fall in consumer demand, driven by, among other things, a consumer lending slowdown and a compensation for March's faster price growth owed largely to a significant ruble appreciation. A price decrease also continued in goods highly dependent on exchange rate movements (household electronic goods, television and radio goods, personal computers, and communication devices), with the pace of decline slowing in June compared with May (Figure 6).

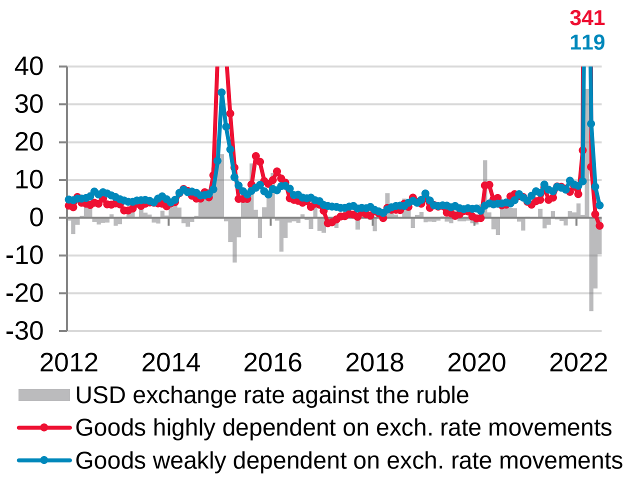
The services sector posted a price rise of 8.0% MoM SAAR in June after a 3.3% MoM SAAR fall in May and extensive growth in April. The high volatility of this indicator arises from price fluctuation in the sectors of tourism, banking services, and air fares. Net of these three components, services price growth slowed to 6% SAAR in June (Figure 7).

Meanwhile, the analytical indicators of price movements show some easing of inflationary pressure adjusted for one-off and temporary factors. Trend inflation stood at 10.2% in May and 9.5% in June. The mean of modified core inflation estimates[1] in May–June declined to 7.2%

[1] These indicators are more sensitive to one-off and temporary factors than trend inflation is.

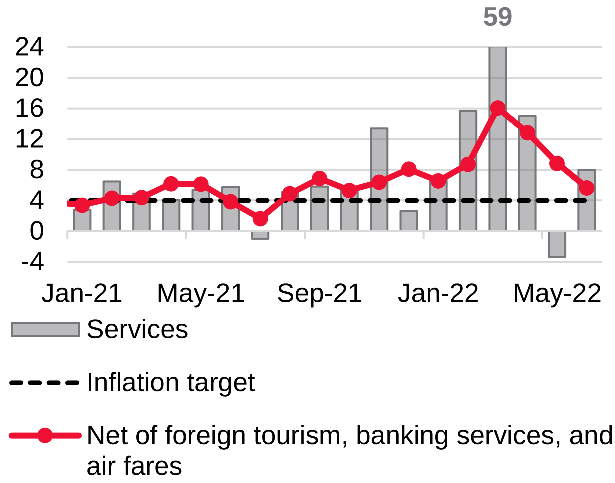
and 3.0% MoM SAAR, respectively, down from 23.0% MoM SAAR in April (Figure 8). Since these indicators are more sensitive to one-off and temporary factors than trend inflation is, what is more important for monetary policy purposes is their smoothed estimate, i.e., an annualised three-month rolling average, which equalled 11.1% 3MSAAR in June after 32–34% 3MSAAR in April and May.

Figure 6. USD exchange rate against the ruble (%) and median CPI readings, % MoM SAAR



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

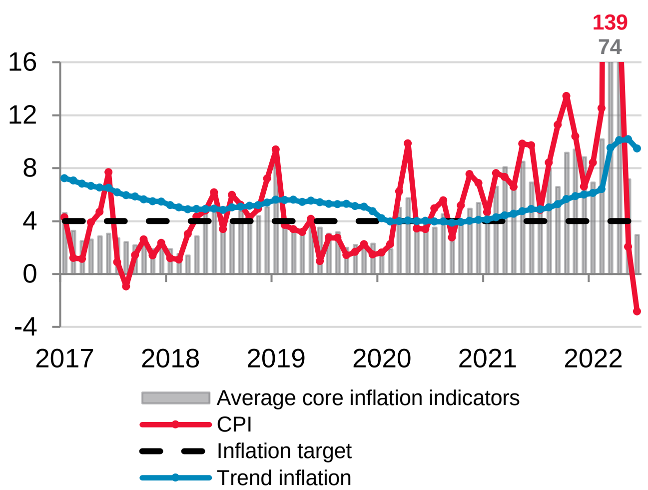
Figure 7. Services price rises, % MoM SAAR



Sources: Rosstat, R&F Department estimates.

The relationship between the CPI and estimates of indicators portraying the most stable components of price movements suggests an important input of one-off factors to a headline inflation slowdown in May–June. The distribution median calculated on disaggregated components declined over the above two months, but not as significantly as CPI movements did (Figure 9).

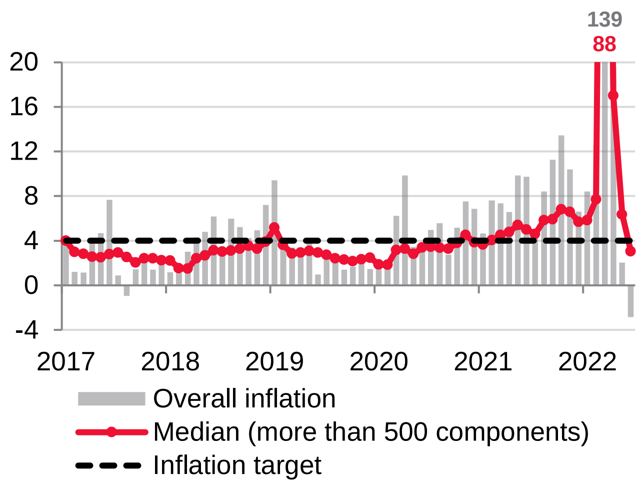
Figure 8. Modified core inflation indicators* and trend inflation estimates, % in annual terms



** Computed by the method of excluding the most volatile components and the truncation method.*

Source: Rosstat, R&F Department estimates.

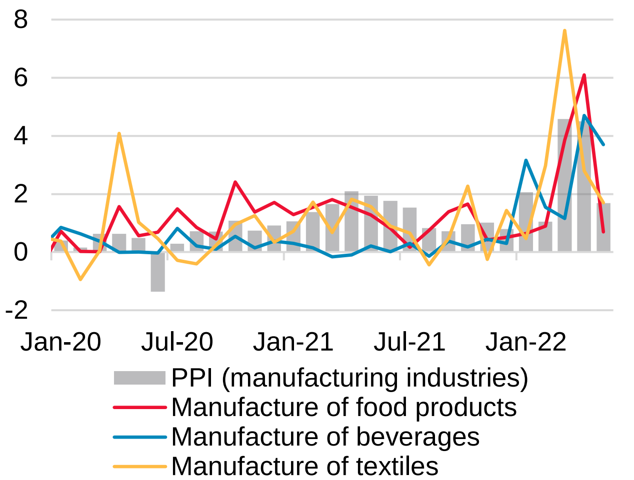
Figure 9. Median distribution estimated on disaggregated components, % MoM SAAR



Source: Rosstat, R&F Department estimates.

The pace of consumer price growth may remain slowed under the influence of temporary factors in the immediate future. Headline inflation will be restrained by the ongoing correction of fruit and vegetable and sugar prices, which, based on our estimates, may span several more weeks, and by a decline/slowdown of growth in the prices of goods highly dependent on exchange rate movements (electronic goods and construction materials) whose duration will depend on the situation in the foreign currency market.

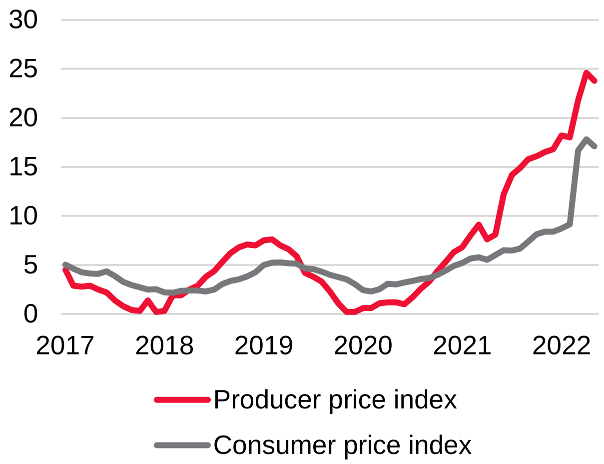
Figure 10. PPI of manufacturing sector* and some of its sub-components, % MoM



**Net of manufacture of metals, coke, and refined petroleum products.*

Sources: Rosstat, R&F Department estimates.

Figure 11. Manufacturing sector PPI * and CPI, %, YoY



**Net of manufacture of metals and petroleum refining producs.*

Sources: Rosstat, R&F Department estimates.

In the medium term, supply-side factors are the key sources of the risk of consumer price growth acceleration. Rises in producer prices of consumer goods remain notably above 4% in annualised terms, generating upward pressure on consumer prices (Figure 10, Figure 11).

2. Economic activity

The Russian economy stabilised in May–June, with its performance varying widely across individual industries. The structural transformation process is non-linear, its pace varies depending on the extent to which economy is affected by external restrictions. As a result, the economic downturn will be less steep than assumed several months ago but more protracted.

Despite some rebounding of imports, due to, among other things, the development of parallel imports, they are still far below the pre-March level. This is especially true for the import of intermediate and investment goods. That said, there has been hardly any growth in the domestic production of these goods.

This suggests the persistence of significant risks: a fall in the output and supply of goods in the economy may steepen, bringing down the economy's potential as the stocks of raw materials, supplies, and components are depleted and the service life of the operating equipment comes to an end. This will require, first, the acceleration of import logistics chain restructuring and, second, the stepping up of the Russian economy's structural transformation enabling partial recovery of the lost potential.

2.1. Economic activity stabilisation in May–June

- Real-time indicators suggest that the first stage of the Russian economy's adjustment to the changed external conditions went on relatively smoothly. The economic activity decline came to a halt in May–June.
- Indeed, after two months of negative performance, the indicators of core industries' output and consumer demand registered stabilisation (Figure 13, Figure 17). Business survey data show companies' gradual adaptation to the Russian economy's ongoing structural shifts, the start of the new logistics chains building process, and some improvements in the situation with deliveries and orders[2] as domestic demand recovered somewhat and new projects were approved.
- In particular, the manufacturing and services PMI indices rose above 50 to 50.8 and 51.7, respectively, reflecting an improvement in companies' business climate perceptions, the expectations for further recovery of customers demand (still stagnating as regards export orders) and stabilisation of economic conditions (Figure 15).
- Electricity consumption was also still sustainable (Figure 14). The slowdown of its annual growth in a number of regional systems is likely owed to the high base of last year[3] rather than to economic activity contraction at the end of Q2. Oil extraction continued to recover in June, coming in at 9.9 million bbl/day, just below the February 2022 level.
- Despite activity stabilisation on the macro level, the economy's performance varies across individual industries. Output decline in manufacturing accelerated, dragged down chiefly by the manufacture of metals and machinery. The same is true of transportation services. The production of electronic goods, however, expanded as import substitution intensified.
- Evidence is emerging of gradual establishment of new logistics chains and import supplies from alternative counterparties (Figure 16). And yet, imports are still low after a sharp contraction in March, which, together with export expansion against a backdrop of commodity price rises, ramped up the current account surplus to USD 70.1 billion in Q2 2022 compared with USD 17.3 billion a year earlier. A faster recovery of import flows would enable the contraction of company inventories[4] to be brought to a halt and the depth of output fall to be mitigated in the coming quarters.

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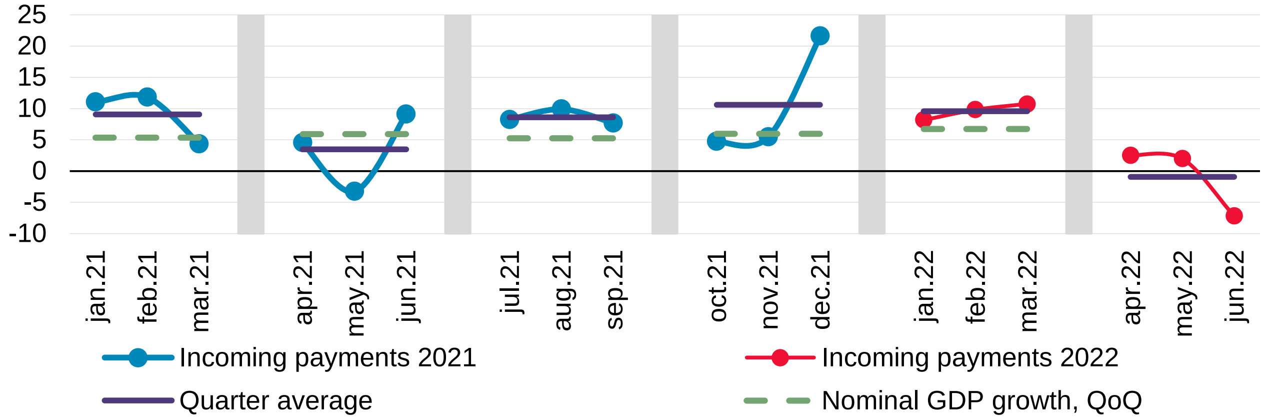
[2] The Bank of Russia's business climate indicator continued to climb in May.

[3] All regional systems which showed a negative contribution, posted a significant electricity consumption increase in the relevant week of last year, in particular, due to temperature peaks.

[4] The PMI sub-indices show that the stocks of finished products and raw materials inventories continued to contract in manufacturing industries.

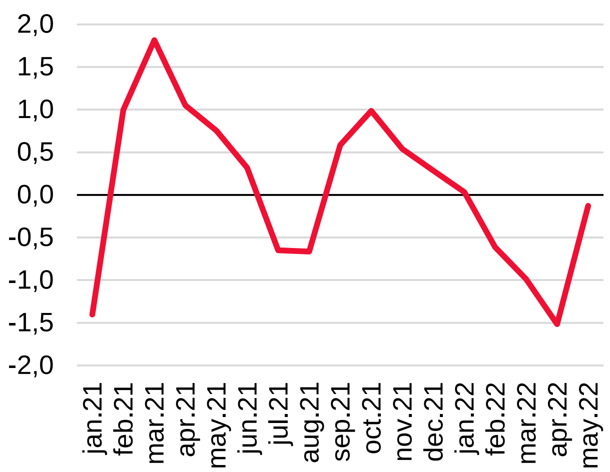
- The recent monetary policy easing will support economic activity in the immediate future. It should reduce the savings ratio further and gradually bring back lending expansion, which will in turn underpin a rise in domestic, in particular, consumer demand. Its stabilisation in June is evidenced by both the estimates of nominal spending (Figure 18) and a significant improvement in household expectations regarding future income.[5] After a 7.2% YoY real wage drop in April following hiked payments in March (Figure 19), household income will be supported by the indexation of payments to public sector employees and a stable labour market situation: the unemployment rate was at its lowest level on record for the fourth consecutive month (Figure 20).

Figure 12. Incoming payments growth[6] relative to the previous quarter average weighted by the share of industries in gross value added, seasonally adjusted, %



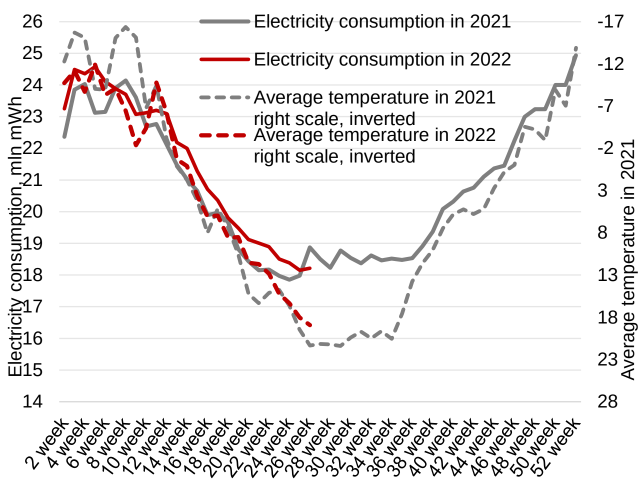
Sources: Bank of Russia, Monitoring of individual industries' financial flows.

Figure 13. Core economic activity types' output, % MoM SA



Sources: Rosstat, R&F Department estimates.

Figure 14. Electricity consumption and average temperature in 2022 and 2021, mln mWh* (left scale), degrees (right scale)



Sources: System operator of Unified Energy System, R&F Department estimates.

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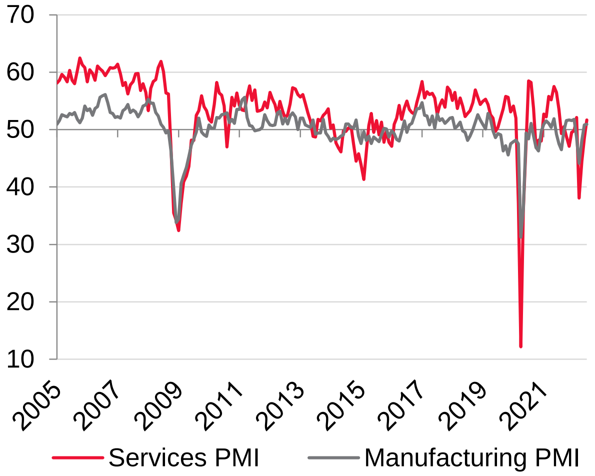
[5] To a 12-month high, according to an InFOM poll.

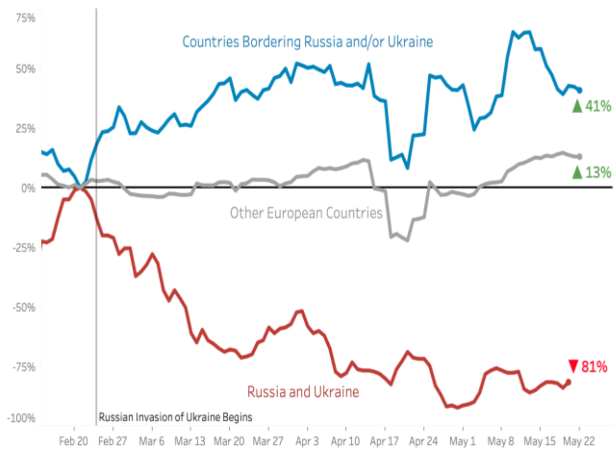
[6] Growth is defined as a change in the sought-for value in percentage terms: $g = \frac{(x_1 - x_0)}{x_0} * 100$.

Figure 15. Russia's Manufacturing and Services PMI, points



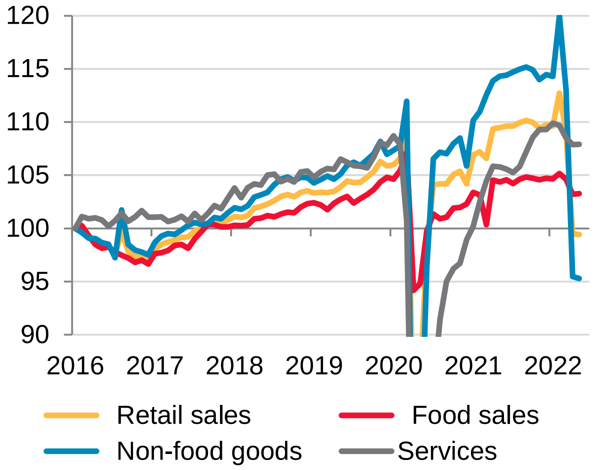
Source: S&P Global.

Figure 16. Merchandise imports, seven-day average, % to 21.02.2022



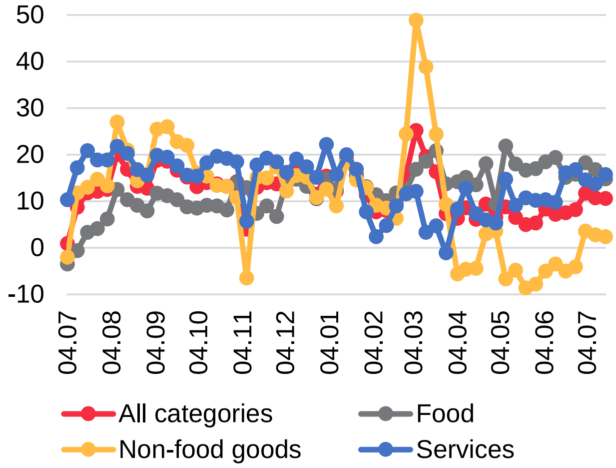
Source: FourKites.

Figure 17. Retail and services sector sales (January 2016 = 100%, Seasonally adjusted), %



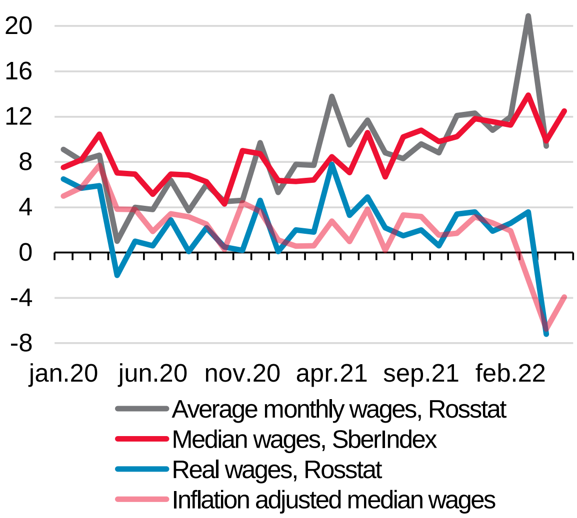
Sources: Rosstat, R&F Department estimates.

Figure 18. Nominal spending growth, % YoY



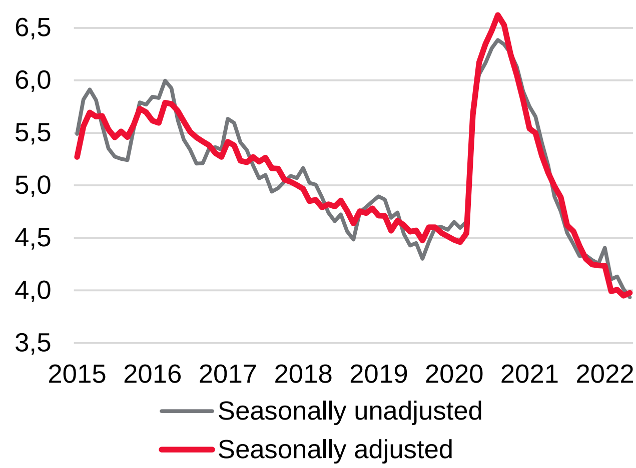
Sources: SberIndex, R&F Department estimates.

Figure 19. Nominal and real wage growth, % YoY



Sources: Rosstat, SberIndex.

Figure 20. Unemployment rate, %



Sources: Rosstat, R&F Department estimates.

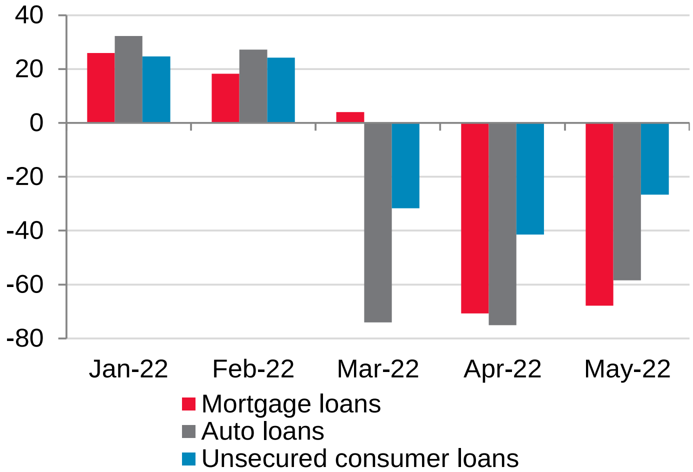
2.2. Loan issuance notably below last year's

- May saw new loan issuance continue to fall year on year in the key segments of retail lending, with contraction in auto and consumer loan issuance slowing (Figure 21).
- Lending growth was in recent months constrained by both demand-side (a drop in the number of loan applications) and supply-side (a decline in the level of application approvals by banks) factors. As market rates go down in the wake of the key rate cuts by the Bank of Russia, loan demand and actual lending are likely to grow. It appears from real-time data that retail loan issuance has expanded. Still, we expect the issuance of these loans to grow moderately in the months to come, largely because banks continue to stick to their conservative policies.
- Mortgage lending continues to be supported by subsidised loan programmes (Figure 22), above all, by subsidised mortgage loans, whose issuance expanded as the interest rate was cut to 9% late in April. The further cut of the rate under the programme to 7% at the end of June will provide an even stronger stimulus for subsidised mortgage loan demand. The issuance of market (unsubsidized) mortgage loans remained on a low level, which may have stemmed from the wait-and-see stance of some borrowers amid a fast key rate decline. Also, there is a certain lag (normally from 1-2 weeks to 2 months) between the approval and issue of mortgage loans, therefore, their issuance statistics also reflect a change in the market situation with a lag.
- With new loan issuance contracting dramatically in all key segments of retail lending, loan portfolio performance[7] is supported by a decrease in funds spent on the repayment, first of all early, of banking debt (Figure 23). Meanwhile, the repayment contraction has also affected the obligatory payment schedule: some deterioration of the quality of servicing unsecured consumer loans and auto loans has been posted in recent months.
- Expansion of ruble loans to non-financial organisations accelerated from 1.0% MoM in April to 1.2% MoM in May. This may be owed to some business activity improvement, in, among others, import substituting industries. Indeed, April–May saw a rise in demand in the manufacture of machinery, fabricated metal products, chemical and petrochemical products. A substantial loan issuance expansion has been registered[8] in these industries in recent months (Figure 25). The portfolio of loans to sole proprietorships continued to contract, down 0.3% MoM SA in May and 0.4% MoM SA in April. The same is true of ruble loans to financial organisations, posting a decline of 3.7% MoM SA.
- High uncertainty restraints long- and medium-term lending. The key rate cuts, along with a wide array of other measures to support the economy, should buoy lending, business activity, and consumption.
- The portfolio of foreign currency loans to non-financial organisations was shrinking for the second consecutive month, down 2.5% MoM SA in May after a fall of 2.1% MoM SA in April. Overall, a lending dedollarisation trend is very much in evidence.

[7] Ruble retail portfolio contraction slowed to 0.1% MoM SA in May from 0.4% MoM SA in April.
[8] With total ruble loan issuance across the economy (net of lending to financial companies) falling 10% YoY over the same period.

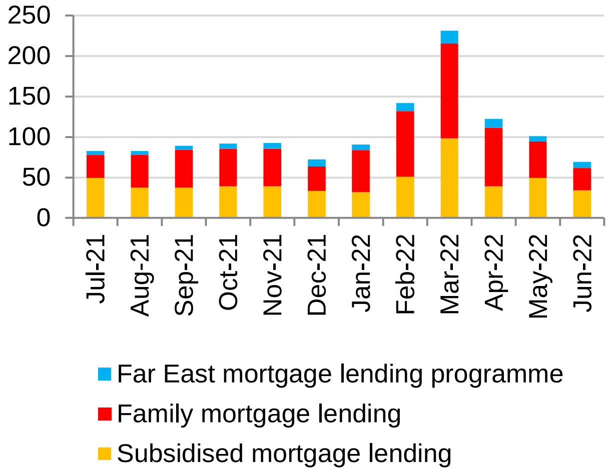
- The attractiveness of ruble deposits is declining as interest rates go down following the key rate cuts by the Bank of Russia. Growth in household ruble funds on bank accounts slowed to 1.2% MoM SA in May from 2.8% MoM SA in April. According to real-time data, this trend intensified in June. That said, the easing of foreign currency regulation prompted a resumption in expansion of foreign currency accounts in May, up 2.7% MoM SA. This benefitted a number of large banks which avoided sanctions and subsidiary non-resident banks. Since a number of banks introduced negative interest rates and fees for foreign currency deposits, these deposits may resume contraction.
- A rise in corporate ruble funds[9] was comparable with April figures, up 1.4% MoM SA. This is far above their average growth of 0.6% MoM SA in 2021 and largely stems from high commodity prices and a rise in exporters' revenue, given companies' limited use of idle funds amid increased uncertainty.

Figure 21. New loan issuance by lending segment, % YoY



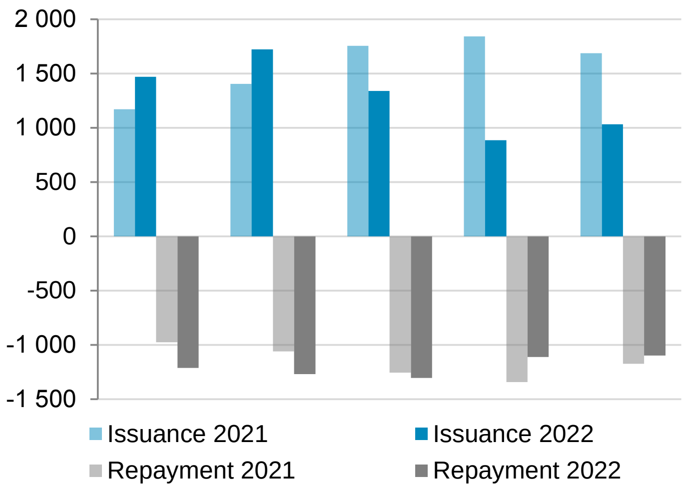
Sources: Bank of Russia, R&F Department estimates.

Figure 22. Loan issuance under subsidised mortgage loan programmes*, billion rubles



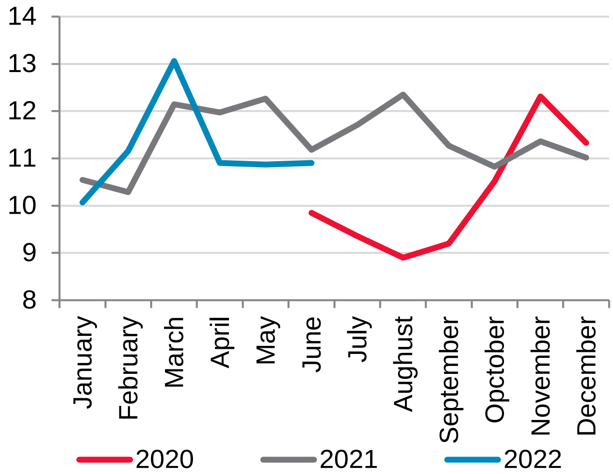
Sources: DOM RF, R&F Department estimates.

Figure 23. Factors of change in retail loan portfolio, billion rubles



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

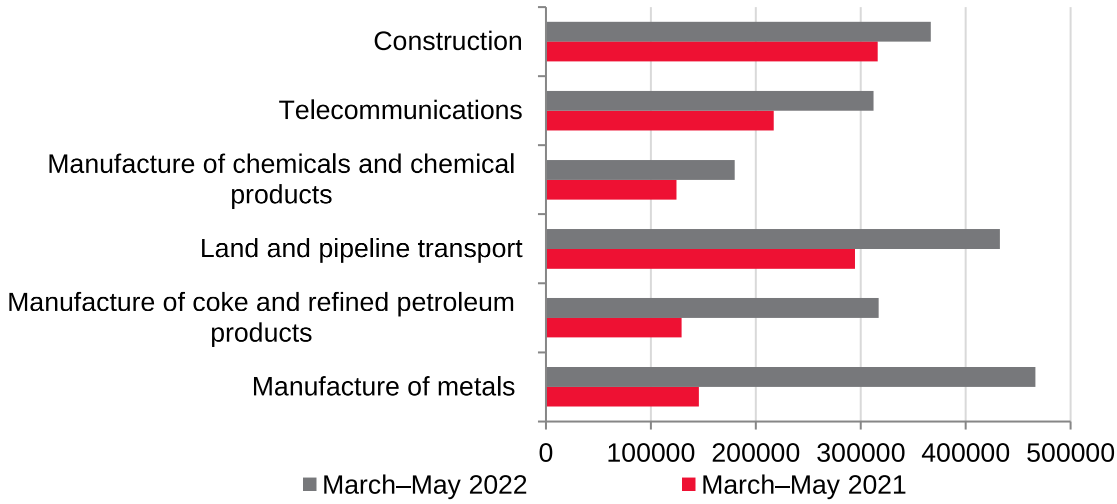
Figure 24. Search queries for word "loan" in Yandex search engine, million



Sources: Wordstat Yandex, R&F Department estimates.

[9] Financial and non-financial organisations' deposits.

Figure 25. Ruble loan issuance by economic activity type, billion rubles



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

In focus. Russian economy depends less on intermediate than investment imports

- The Russian economy's dependence on the import of goods used in intermediate consumption is low compared with other countries, both on the macro level and across most industries. This is largely owed to its poor involvement in complex global production chains and high self-sufficiency in commodities.
- This means that the scale of supply-side constraints may prove to be relatively small in a significant number of industries. That said, industries with a relatively high dependence on the import of intermediate goods have a limited substitution potential, which already makes them scale down production. This is a key source of pro-inflationary risks.
- The most important and difficult medium-term challenge is substitution for the import of investment goods and arrangement of their deliveries from new foreign suppliers. This will largely determine the nature and scale of the Russian economy's restructuring, the level and trajectory of its potential growth.

The Russian economy's extensive involvement in global trade is accompanied by, among other things, Russian producers' use of imported raw materials and components for the production of goods and services, as well as the implementation of investment projects relying on foreign equipment and technologies. The change in external conditions and imposition of various financial and transportation restrictions in Q1 2022 have, above all, scaled down imports. Many countries have banned the sale of certain categories of goods and services to Russia, international carriers and financial institutions have refused to provide their services or limited them significantly. The break-up of well-established supply chains is having a direct effect on production activity, while its further trends depend on producers' ability to find alternative suppliers – domestic and foreign alike.

The scale of problems to be addressed by producers depends on the scale of using imported raw materials and components (dependence on imports) and the toughness of restrictions on supplies of particular goods and services. Using a 66-country OECD sample,[10] we have estimated the share of direct[11] imports in intermediate consumption[12] (Figure 26). Overall, the Russian economy's dependence on imports to be used in intermediate consumption has shown to be one of the lowest.

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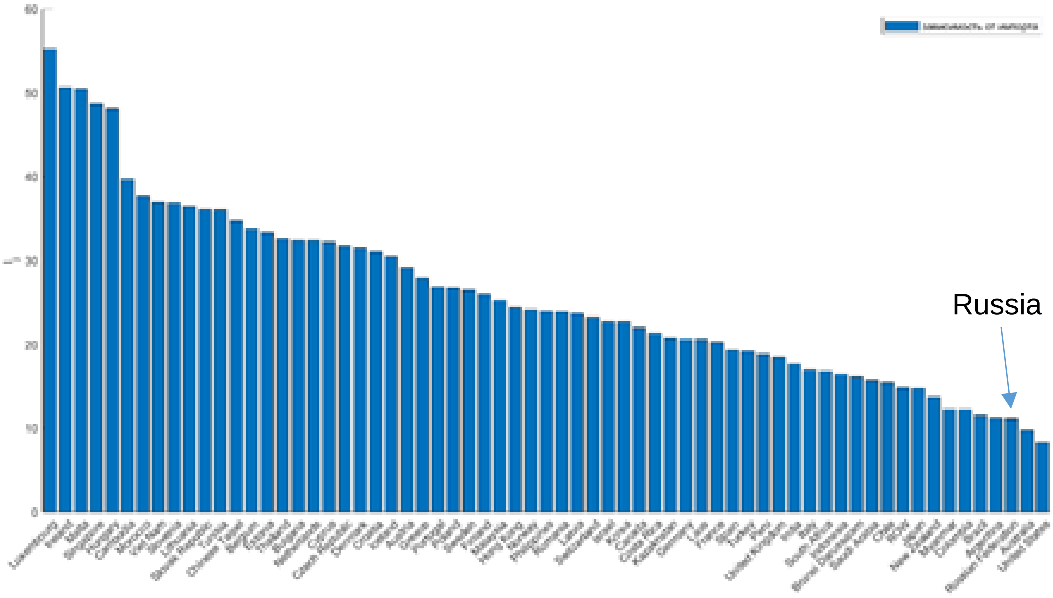
[10] We use the OECD Input–output 2018 tables (2021): 66 countries, including 38 OECD countries, 45 industries (grouped industries ISIC Rev. 4).

[11] The consumption of imported goods and services, excluding those with an "imported component" in domestic goods and services (indirect imports).

[12] Goods and services used as raw materials and consumables in the domestic production of goods and services.

Figure 26. Share of imports in countries' intermediate consumption, %



Sources: OECD, R&F Department estimates.

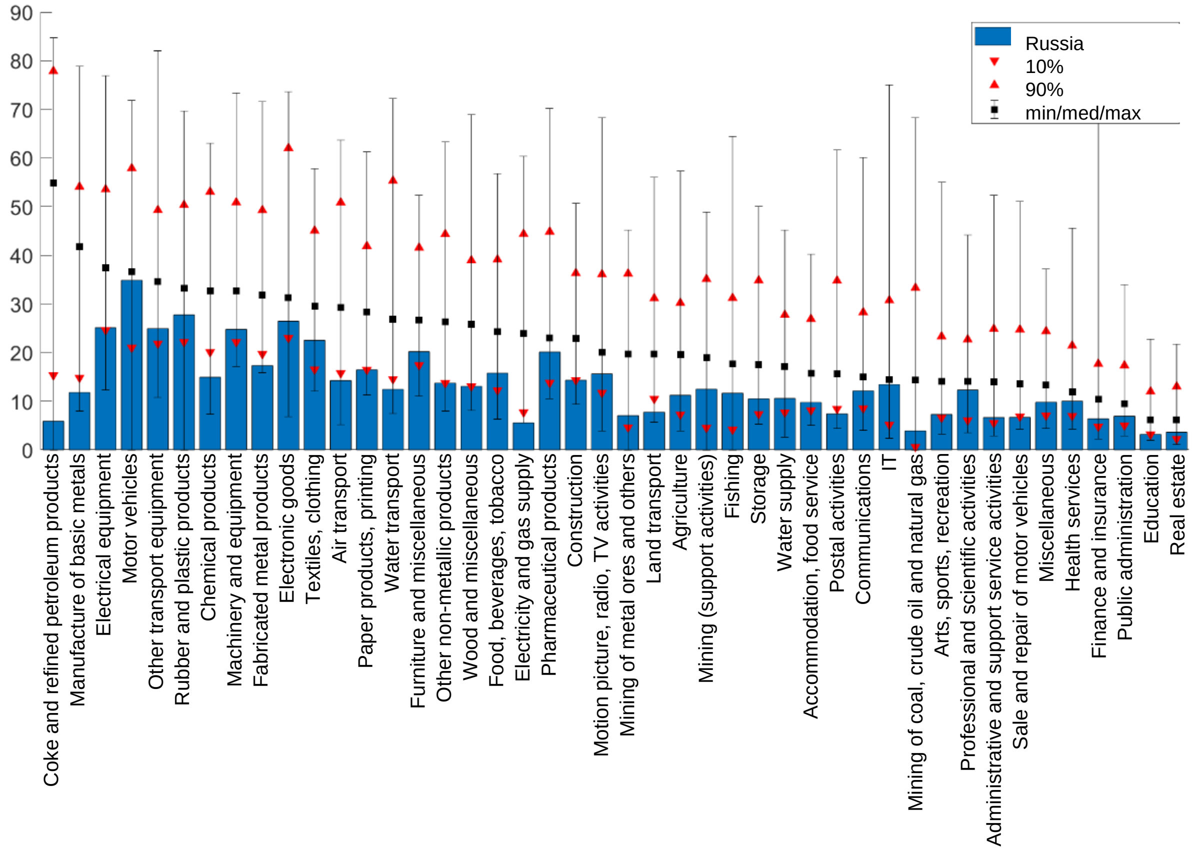
Overall, a similar picture is seen on the industry level, even if indirect imports are factored in along with direct imports (Figure 27). The share of imports in intermediate consumption does not exceed the median in any industries of the sample. Values closest to median are found in industries engaged in the manufacture of mechanical equipment, machinery, electronic goods, and pharmaceuticals, the farthest ones – in industries involved in the extraction and processing of traditional export goods – crude petroleum, natural gas, coal, and metals.

One of the key causes behind the relatively small intermediate imports is probably the nature of the Russian economy's involvement in global production chains. Russian exports are, above all, involved in the very initial links of production chains via the supplies of commodities (the so-called backward participation), and are relatively poorly represented at later stages of the value chain (forward participation). The estimation results may have also been affected by a certain imbalance of the sample, which includes quite a few small countries (Luxembourg and others) heavily dependent on imports.

To adjust for the impact of this factor, we have additionally estimated the share of non-commodity imports on a reduced sample of countries.[13] As a result, the share of intermediate imports in Russian industries came in much closer to the distribution median (Figure 28). Nevertheless, the level of most of the industries remained below the median. The share of imports stood above the median in the manufacture of motor vehicles, electronic goods, pharmaceutical products, IT, provision of professional services, support services of mining and quarrying, and so on.

[13] Countries with population below the median of the initial sample were excluded.

Figure 27. The share of all types of intermediate imports (direct and indirect) in industries' end products, %



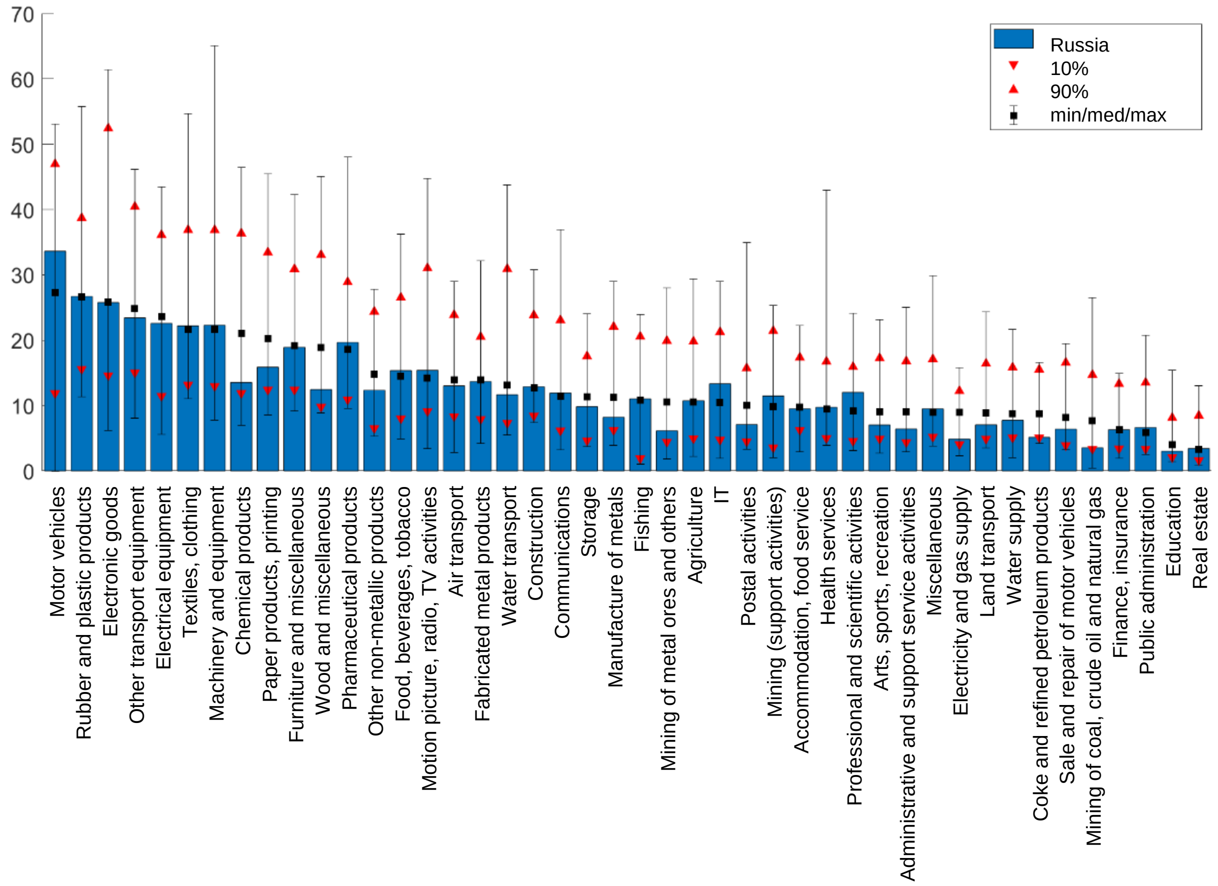
Sources: OECD, R&F Department estimates.

Note: The squares represent the median value for the group of countries for this industry, the triangles are 10–90% of distribution, the dividing lines are maximum and minimum in a group of countries.

Our analysis has shown that most Russian industries' dependence on intermediate imports is relatively low by global standards. This means that the challenge of finding alternative suppliers for a large number of companies can, in general, be efficiently addressed, and supply-side constraints arising from changed external conditions may prove to be moderate on the macro level. Still, some industries are highly dependent on imports, which already limits supply (indeed, the production of passenger cars contracted 96.5% YoY in May). These industries are one source of pro-inflationary risks. That said, addressing the problem of import substitution and finding new suppliers in foreign countries will likely worsen the technological effectiveness of production in these industries, be that setback transient or enduring.

The current analysis does not so far fully capture the situation with investment imports, dependence on which is likely higher than on intermediate imports, given the hefty share of investment goods in total Russian imports. That said, the restrictions on these imports, on the one hand, have a slower effect on the Russian economy's current production potential. Therefore, Russian companies have more time to establish import substituting production and find new suppliers. On the other hand, it is the success of overcoming restrictions on investment imports that largely determines the potential of the economy and its growth in the future. This is of prime importance from the perspective of defining the nature and scale of the Russian economy's restructuring and the trajectory of its potential growth in the future.

Figure 28. Share of intermediate imports in industries' end products estimated on a reduced sample, %



Sources: OECD, R&F Department estimates.

Note: The squares represent the median value for the group of countries for this industry, the triangles are 10–90% distribution quantiles, the dividing lines denote maximum and minimum values in the group of countries.

Alexander Morozov

Director

Dmitry Chernyadyev

Yana Chernysheva

Maria Fedulova

Danila Karpov

Maria Kharlamova

Tatyana Kuzmina

Maxim Nevalenny

Levon Movsesyan

Yekaterina Petreneva

Alexey Porshakov

Bella Rabinovich

Arina Sapova

Anna Tsvetkova

Yulia Ushakova

Sergey Vlasov