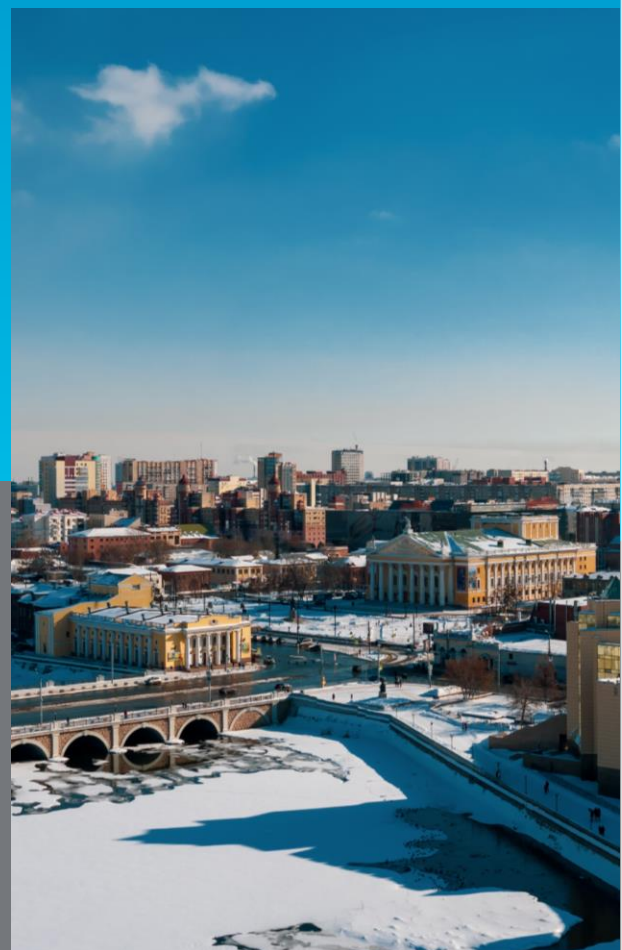




Bank of Russia



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.

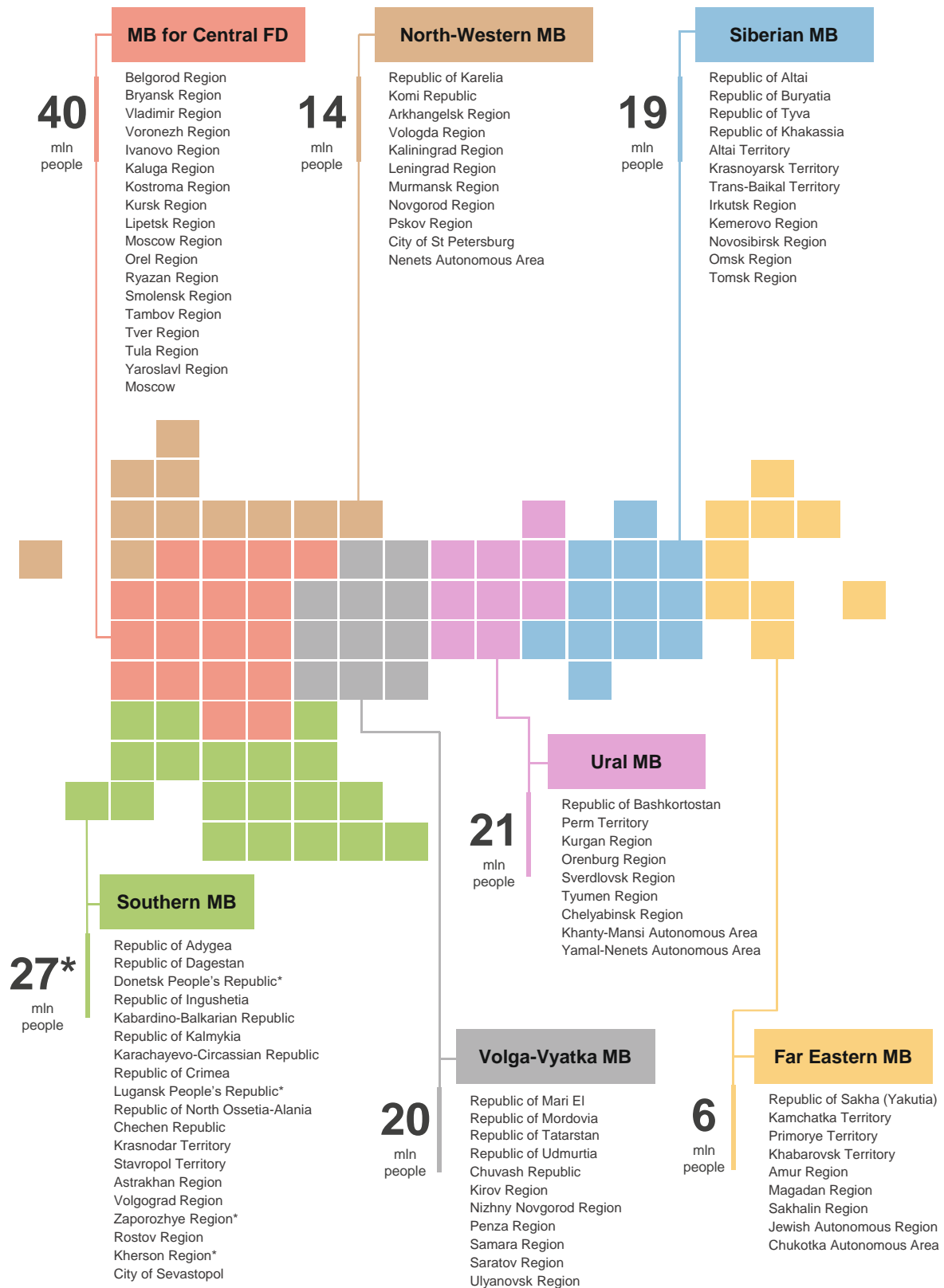
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

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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 MBs.

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 15,000 non-financial companies¹ carried out by the Bank of Russia MBs. 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 MBs, including following various events with the engagement of regional executive authorities, businesses, industrial unions, and entrepreneur associations. Along with this high-quality information, we also use figures, including official statistics. All data are verified for accuracy and consistency.



WHAT IS THE PURPOSE OF THE REPORT?

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

¹ In February 2024, we surveyed 12,893 companies.

RUSSIAN FEDERATION

In February 2024, economic activity remained at the elevated level of December 2023–January 2024. Competition for employees boosted further growth in wages. Amid high demand, producers and suppliers continued to pass through increased costs to product and service prices. In January 2024, price growth remained close to the level of the previous month. Monetary conditions continued to tighten, which boosted households' propensity to save. Households' switch to the saving behaviour model manifested itself in the slowdown in retail lending and a stable inflow of household funds into time deposits.

In February 2024, economic activity in most macro-regions remained almost unchanged compared to December 2023–January 2024, while staying high. Elevated demand for production equipment, transport, and construction materials supported growth in the output of electronics and computer equipment in the North-West, metal processing products in Central Russia, and the placement of orders in railcar manufacturing in Siberia and shipbuilding in the Far East. Having solved a number of issues with supplies of components, car makers in the Volga-Vyatka macro-region ramped up output in early 2024 (more details about the situation in the car market are available in the box '*Industry focus. Car market*'). The production for the consumer market (food, clothes) in Central Russia and individual housing construction in most regions are still growing. Unfavourable external environment and bottlenecks in transport and seaport logistics cooled down the business activity in industries with a high proportion of export (oil and gas, coal, metal, and wood processing industries).

The labour market remains tight. According to enterprises in all regions, staff shortages continue to be one of the most significant factors limiting their opportunities to ramp up output and implement investment plans (see the box '*Current condition and utilisation rate of production capacity in industrial and other sectors*'). Competition for employees boosted further growth in wages.

At the beginning of 2024, average consumer activity across regions remained close to the high levels of the previous months amid high wage growth. Increased tourist traffic boosted demand for catering, hotel, transportation, communication, and cultural services (see the box '*Consumer activity. Drivers and composition of spending*').

Monthly consumer price growth changed only slightly almost in all macro-regions in January vs the previous month (seasonally adjusted), while remaining elevated. This was mainly due to high domestic demand allowing companies to pass through rising costs to prices. However, companies' price expectations were still down.

Rates continued to rise in the credit and deposit markets. In most macro-regions, mortgage growth decelerated due to increasing market rates and changing parameters of subsidised programmes. Household funds continued to flow into time deposits.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Consumer activity was up. Industrial production increased faster than across Russia, in general driven by growing output of machinery and equipment, computers, electric equipment, and other finished goods. Housing commissioning contracted in January in annualised terms on account of blocks of flats in the Moscow Region, most of which were commissioned in December. Commercial and infrastructure construction continued to grow, driven by strong demand for warehouses amid the intensive development of online sales across Russia in general.

NORTH-WESTERN MAIN BRANCH. Increasing domestic and foreign tourist flows supported the expansion of consumer activity. The macro-region's seaports reported growth in transshipment of dry cargoes, including those intended for export. Online sales expansion caused a shortage of warehouse space. Production of electronics and computer equipment continued to advance.

VOLGA-VYATKA MAIN BRANCH. Non-food sales were weaker than across Russia in general. A regional car maker managed to overcome the shortage of production components, which was a reason behind contracting output and sales in the last months of the previous year. A number of real sector companies raised wages ahead of schedule.

SOUTHERN MAIN BRANCH. Consumer activity was up, driven by growing tourist traffic, among other reasons. Price expectations of the macro-region's companies decreased, while remaining lower than the national average. Backed by elevated demand in the real estate market, indicators of growth in housing commissioning, outstanding mortgage loans, and balances in escrow accounts were higher than nationwide. Output slid in individual sectors owing to the downtime of equipment when major enterprises were upgrading their production facilities.

URAL MAIN BRANCH. Early this year, consumer activity revived both in food and non-food retail as well as in services. The unemployment rate was one of the lowest in Russia. Ural metallurgy, chemical, and wood processing enterprises launched facilities to manufacture the most sought-after products, recording an overall decrease in demand.

SIBERIAN MAIN BRANCH. Consumer activity growth continued in food retail as well as in tourism and public catering. Export and logistics issues persisted in the key sectors of the macro-region – coal mining, metallurgy, and wood processing. However, supplies of coal and metals to the domestic market increased. The current volumes of construction works were below the last year's figures. At the same time, housing commissioning grew substantially faster than across Russia.

FAR EASTERN MAIN BRANCH. Consumer activity trended downwards. Growth rates of retail and commercial services were below the national average owing to slower growth in consumer lending and households' real incomes. An increase in mortgage lending slowed down less than across Russia in general on account of the Far Eastern Mortgage programme. Import volumes of both used and new foreign cars (including those to be delivered to other Russian regions) jumped.

CORE ECONOMIC INDICATORS

		Date	Russia	MB for the Central FD	North-Western MB	Volga-Vyatka MB	Southern MB	Ural MB	Siberian MB	Far Eastern MB
MB's percentage in inflation	%	2024	100	34	11	11	15	14	10	5
Inflation	% YoY	Jan24	7.4	7.3	7.0	7.1	7.7	7.0	8.4	7.9
Core inflation	% YoY	Jan24	7.2	7.2	6.9	6.8	7.0	6.6	7.9	8.4
Industrial production	3MMA, % YoY	Jan24	3.9	15.6	6.1	7.6	-1.7	1.2	-0.5	5.8
Fixed capital investment	Cumulative, % YoY	2023 Q4	9.8	3.6	4.3	18.3	8.1	5.0	5.3	19.5
Construction	3MMA, % YoY	Jan24	7.5	10.8	-1.1	0.6	-8.3	9.4	-9.1	8.4
Housing commissioning	3MMA, % YoY	Jan24	35.2	31.4	22.6	38.9	46.8	24.2	53.7	40.5
Retail	3MMA, % YoY	Jan24	10.0	12.4	11.6	9.9	7.3	9.1	8.5	7.3
Commercial services	3MMA, % YoY	Jan24	5.2	9.3	3.4	3.8	2.6	2.6	2.0	2.0
Real wages	3MMA, % YoY	Dec23	8.5	10.0	6.6	10.9	6.1	7.8	7.3	5.3
Real disposable income	% YoY	2023 Q4	6.8	8.0	4.2	7.4	5.3	5.1	2.6	1.7
Unemployment	% SA	Jan24	2.9	2.2	2.5	2.0	5.1	2.2	3.2	2.9
Outstanding consumer loans ²	% YoY	Jan24	17.6	18.2	14.4	18.8	20.9	17.5	16.4	13.4
Outstanding mortgage loans	% YoY	Jan24	29.1	23.3	22.4	31.6	42.4	31.8	32.4	32.3
Funds in escrow accounts	% YoY	Jan24	42.8	29.9	27.0	55.7	111.2	73.7	67.9	44.8
Non-financial organisations' outstanding bank loans	% YoY	Dec23	24.6	24.5	29.6	18.3	21.0	19.0	29.7	32.3
• Large borrowers	% YoY	Dec23	23.6	24.2	32.3	12.2	8.5	14.2	34.6	33.7
• SMEs	% YoY	Dec23	28.9	26.2	16.3	32.5	46.8	44.6	16.7	26.3
Companies' price expectations ³	Balance of responses, SA	Feb24	19.4	24.1	20.2	25.9	17.1	20.5	21.5	16.6
Business Climate Index	SA, pp	Feb24	7.3	10.5	7.0	9.3	7.3	12.3	10.6	6.7
• Current estimates	SA, pp	Feb24	-0.1	5.3	0.1	1.2	-2.9	9.0	2.4	0.8
• Expectations	SA, pp	Feb24	15.0	15.9	14.0	17.8	18.0	15.7	19.2	12.8

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

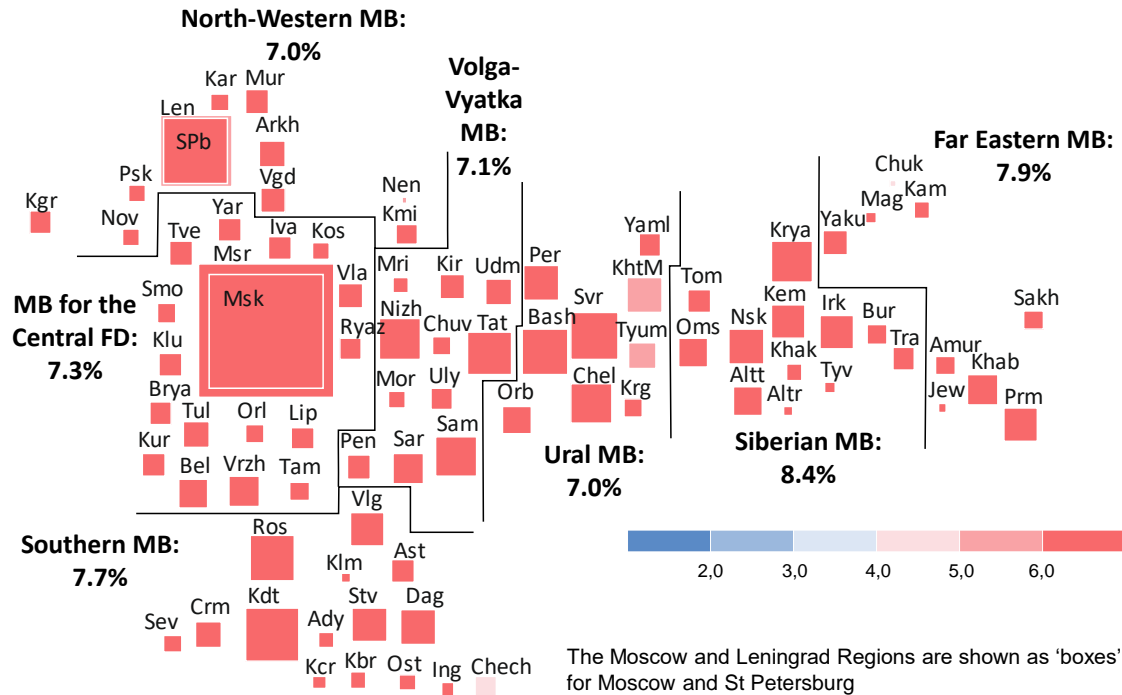
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis, since they enable the aggregation of indicators by 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 January 2024, % year-on-year

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



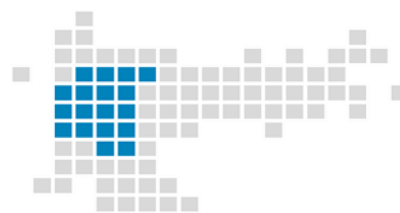
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Source: Rosstat.

Ady	Republic of Adygeya	Kos	Kostroma Region	Sam	Samara Region
Altt	Altai Territory	Krya	Krasnoyarsk Territory	Sar	Saratov Region
Altr	Republic of Altai	Kdt	Krasnodar Territory	Sakh	Sakhalin Region
Amur	Amur Region	Crn	Republic of Crimea	Svr	Sverdlovsk Region
Arkh	Arkhangelsk Region (excl. Autonomous Area)	Kur	Kursk Region	Sev	City of Sevastopol
Ast	Astrakhan Region	Krg	Kurgan Region	Smo	Smolensk Region
Bash	Republic of Bashkortostan	Kcr	Karachayevo-Circassian Republic	SPb	City of St 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	Republic of Mari El	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 Dagestan	Mur	Murmansk Region	Tyum	Tyumen Region (excl. Autonomous Areas)
Jew	Jewish Autonomous Region	Nen	Nenets Autonomous Area	Udm	Republic of Udmurtia
Tra	Trans-Baikal Territory	Nizh	Nizhny Novgorod Region	Uly	Ulyanovsk Region
Iva	Ivanovo Region	Nov	Novgorod Region	Khab	Khaborovsk Territory
Ing	Republic of Ingushetia	Nsk	Novosibirsk Region	Khak	Republic of Khakassia
Irk	Irkutsk Region	Oms	Omsk Region	KhtM	Khanty-Mansi Autonomous Area – Yugra
Klm	Republic of Kalmykia	Orb	Orenburg Region	Chel	Chelyabinsk Region
Klu	Kaluga Region	Orl	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-Balkarian Republic	Per	Perm Territory	Yaku	Republic of Sakha (Yakutia)
Kem	Kemerovo Region – Kuzbass	Prm	Primorye Territory	Yaml	Yamal-Nenets Autonomous Area
Kir	Kirov Region	Psk	Pskov Region	Yar	Yaroslavl Region
Kgr	Kaliningrad Region	Ros	Rostov Region		
Kmi	Komi Republic	Ryaz	Ryazan Region		

BANK OF RUSSIA MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT



In February 2024, consumer activity in the macro-region was up compared to January, driven by increasing demand for a number of non-food products and services. Simultaneously, monthly consumer price growth sped up. Companies' price expectations continued to go down amid a slower rise in costs. The mortgage market cooled in January mostly due to the tightening of conditions of the government subsidised mortgage. Funds in time deposits were still increasing.

CONSUMPTION AND INCOMES. In February 2024, consumer activity in Central Russia trended upwards compared to January, driven by growing demand for non-food products and services. The survey recorded a growing proportion of respondents who had purchased digital and household appliances over the past three months. The Kostroma and Yaroslavl Regions increased the number of Lastochka trains in February owing to advancing demand for transportation services from tourists. Shopping mall traffic continues to rise, while remaining below the 2021 level due to the active development of online sales. Individual retailers record signs of a cooling in consumer demand. A major online retailer reported deceleration in sales growth in the macro-region compared to the high figures of 2023. The car dealers of the Central Federal District recorded a decrease in the sales of more expensive car models owing to costlier car loans, among other reasons. The indexation of social welfare allowances and wage growth amid staff shortages continue to support consumer demand.

PRICES. In January 2024, monthly price growth (seasonally adjusted) accelerated somewhat in the macro-region. This was driven by the dynamics of prices for tourism services (growing demand for domestic destinations), housing and utility services (indexation of capital repair charges), and telecommunication services (increasing expenses of Internet providers). In February 2024, according to Rosstat's weekly data, price growth decelerated due to the adjustment of prices for household appliances, cereals, chicken meat, and eggs. The price expectations of the macro-region's enterprises continued to decline in February, driven by a slowdown in costs growth. Price expectations decreased in most main industries, excluding agriculture.

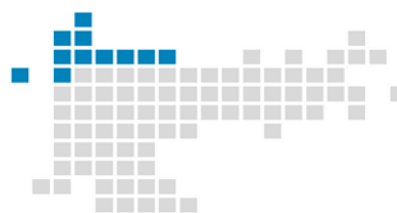
MONETARY CONDITIONS AND BANKING SECTOR. As of early January, monthly growth of corporate loan portfolio slowed down, while remaining elevated. According to high-frequency data, business loan rates edged down in February. Companies assessed lending conditions less negatively in February. In January, the retail loan portfolio was up compared to December owing to consumer lending. The mortgage market cooled in January mostly as a result of the toughening of conditions of the government subsidised mortgage programmes. The proportion of subsidised loans in total new mortgages was down for the first time since April 2023. Driven by higher loan rates and prices for imported cars, households' demand for car loans contracted relative to December 2023, while remaining above the figures of the beginning of the previous year. Amid attractive deposit rates, funds in time deposits continued to rise in January, albeit at a slower pace.

WAREHOUSES. The turnover of warehouse management companies in 2023 Q4 in Russia was up by more than 20% year-on-year, including by more than a third in Central Russia. Following 2023, the demand for warehouses from online retailers and distributor companies reached record highs. The number of sellers on marketplaces was growing and households were becoming more interested in online purchases. Amid strong demand, the shortage of available warehouse space, and increasing construction costs, lease rates in the Moscow region were up by 40% in 2023 and continued to rise in early 2024. According to experts, rental prices are expected to stabilise from 2024 H2. This may be associated with decelerating demand and the commissioning of new warehouse facilities. The Moscow Region is expected to commission 1.9 million square metres of warehouse space in 2024 (vs 1.8 million square metres in 2023). 15 large facilities are to be commissioned with the majority of them to be used by marketplaces, multi-channel retailers, and online stores under contracts. Logistics hubs in six regions of the Central Federal District are actively developing. Major logistics and distribution centres are being built in four regions, with the largest projects implemented in the Tambov and Tula Regions.

MANUFACTURE OF FINISHED METAL PRODUCTS. The Central Federal District maintains high monthly growth rates of the manufacture of finished metal products relative to the 2023 average figures. Plants' capacity utilisation rates are close to the maximum. In individual areas, supply does not fully meet demand, which puts pressure on producers' prices that were up in January year-on-year. Enterprises plan to expand and upgrade their production facilities in anticipation of rising demand. A manufacturer of metal structures in the Tula Region plans to launch a hot-dip galvanising line to manufacture products for infrastructure projects. Enterprises in the Moscow and Smolensk Regions reported plans to increase the utilisation rate of their production capacities in 2024 by means of technical re-equipment. At the same time, constraints in the labour market are becoming more pronounced in the sector. To overcome staff shortages, the district's enterprises are automating production processes and implementing joint projects with universities to engage young specialists.

PRODUCTION OF ENERGY SUPPLY EQUIPMENT. The macro-region ramped up production of electrical equipment over 2023 Q4. This was associated with the development of import-substituting production facilities, among other reasons. A Tula-based enterprise launched the production of metal cabinets, planning to double its capacities during the next two years. By the end of 2024, a Lipetsk-based enterprise will open a new facility to manufacture electrical machinery in the Tula Region. The Moscow Government concluded an offset contract for the supply of electric bus batteries. By 2025, Moscow is to build a major facility to make lithium-ion batteries on the basis of a research and production centre launched in late 2023. This will reduce the price for energy storage units, which accounts for up to 50% of the electric transport price. No staff shortages are recorded thanks to the engagement of the resources of foreign companies which have exited the market.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Annual inflation fell in January. In February, companies' price expectations continued to decrease and growth in consumer activity slowed down in the macro-region. Electronics and computer equipment manufacturers expanded their production capacities amid growing domestic demand. Dry cargo handling at North-Western seaports was up primarily driven by the increase in the shipment of fertilisers and grain.

CONSUMPTION AND INCOMES. In February 2024, growth in consumer activity decelerated in the macro-region. According to preliminary estimates, shopping mall traffic in St Petersburg was higher than a year before. In the St Petersburg agglomeration, several shopping malls are to be opened this year, whereas no such facilities were commissioned last year. Increasing domestic and foreign tourist flows supported consumption in the macro-region. For example, January saw a larger number of Asian tourists visiting in particular St Petersburg, the Murmansk Region, and the Republic of Karelia. Short-term demand and sales expectations of retail and service enterprises worsened somewhat, while remaining positive.

PRICES. Annual inflation declined to 7% in the North-West. Seasonally adjusted monthly price growth also fell. This was mainly due to expanding supply of fruit and vegetables and lower indexation of tariffs for administered services compared to January 2023. According to weekly data, in February, consumer prices were growing at a rate close to the January level. Companies' price expectations were down in February across all main industries, most notably in transportation and storage as well as in construction.

MONETARY CONDITIONS AND BANKING SECTOR. Annual growth of outstanding corporate loans continued to decelerate in December 2023 mostly on account of retailers and the real estate sector. Annual growth in retail lending remained almost unchanged in January relative to December. However, there was a cooling in the mortgage segment associated with changes in subsidised lending conditions, growing market mortgage rates, and a toughening of macroprudential requirements, among other reasons. In early 2024, St Petersburg and the Leningrad Region reported a significant drop in new loans under the 8% subsidised mortgage programme which was associated with the Russian Government toughening its parameters (increasing the down payment and reducing the maximum loan amount to be issued in these regions). In February, disbursements under the IT Mortgage programme exceeded the figures of the last year in the macro-region. The new Arctic Mortgage programme supported the housing market in individual North-Western regions, in particular in the Arkhangelsk Region. In the deposit market, annual growth in households' time deposits accelerated owing to higher rates.

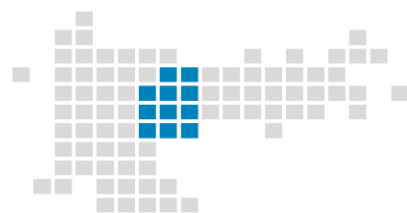
MANUFACTURE OF COMPUTERS, ELECTRONIC AND OPTICAL PRODUCTS. In 2023 Q4, the output of computers, electronic and optical products in the North-West continued to go up, in particular fuelled by the expansion of domestic demand owing to import substitution and government support measures. In 2024, the macro-region's companies continue to expand production capacities. For example, in January, the Kaliningrad Region launched the production of key components for the

solar power industry. Another major regional electronics manufacturer plans to commission an additional line to manufacture motherboards in the near future, which would help double their output. An enterprise making access control systems intends to finish the construction of additional facilities in the Pskov region by the end of this year. The sector is still experiencing issues with the import of components and shortage of skilled staff.

CARGO AND PASSENGER TRANSPORTATION. Cargo traffic at North-Western seaports grew in January relative to December. For example, the handling of dry cargoes was up, mainly driven by the increasing shipment of fertilisers amid elevated external demand. Grain transshipment continued to grow too mainly on account of the grain terminal at the Vysotsk seaport (the Leningrad Region) that started to operate last year. Moreover, in February, the first consignment of food wheat was shipped from the Kaliningrad seaport to North Africa. Due to a sustainably high utilisation of the Eastern rail infrastructure, some Siberian coal producers started to export coal via the Murmansk seaport. The expansion of domestic tourism boosted passenger railway and air transportation. For example, the passenger traffic at the St Petersburg airport increased by 5% in annualised terms in January and exceeded the record highs of 2019 as of the end of 2023. Positive trends were also recorded by the airports in other North-Western regions. To meet elevated demand, airlines providing transportation services in the macro-region were expanding the geography and increasing the frequency of flights.

WAREHOUSES. Growth in warehouse demand surpassing the expansion of supply entailed a sharp drop in available warehouse space in the macro-region by early 2024, pushing up rents. Rising warehouse demand is mainly driven by the development of online sales. A major marketplace is expanding its leased warehouse space. Moreover, it commissioned the construction of three logistics facilities in the St Petersburg agglomeration. Another online retailer opened a distribution centre in St Petersburg in January and plans to build a large warehouse in the Leningrad Region during the next two years to streamline deliveries to the neighbouring regions. Although more warehouse space is planned to be commissioned this year relative to the previous year, there will be no substantial increase in available warehouses, since many of them are rented during the construction phase. The macro-region's warehouse market was positively affected by the development of sea terminals. In late 2023, the St Petersburg seaport opened a storage and cargo-handling facility for weather-sensitive cargoes that must be handled indoors. This year, the Murmansk Region completed the construction of an automated warehouse for fish products within a project to build a specialised terminal.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



In February, goods and services consumption remained below the figures of late 2023, which was driven by an increase in the households' propensity to save, among other reasons. Bank deposits were still attractive owing to higher rates. There was still elevated demand from employers in the labour market, and competition for staff boosted wage growth. Difficulties with component supplies were overcome, which had a positive effect on car supplies in February. The output in the chemical industry was recorded at the maximum level since 2021 Q4 owing to increasing domestic demand.

CONSUMPTION AND INCOMES. In January, consumer activity trended downwards (seasonally adjusted). According to high-frequency data, in February, small growth in consumption was mainly driven by food sales. Non-food sales were below the December 2023 level during these months. Attractive deposit rates, among other things, prompted growth in households' propensity to save. A slowdown in lending still limited growth in demand for cars as well as electronics and household appliances. According to car dealers, higher car prices remained the main limiting factor for many clients. Some sellers of electronics, cosmetics, and perfumes also reported that low-price goods were more in demand. Between January and February, the traffic at the surveyed shopping malls was mainly below or equalled the figures of the last year. According to the Bank of Russia's monitoring of businesses, retailers were more optimistic about demand in February.

PRICES. January saw both annual and seasonally adjusted monthly inflation remain at the December level in the Volga-Vyatka macro-region. The current price increase was largely moderated by food price movements. In particular, fruit and vegetable prices were growing at a slower pace, while meat product and egg prices edged down. Another contributor was deceleration in car price growth, as dealers' inventories were increasing while demand in the car market started to decline, among other reasons. Prices for individual domestic tourism services grew at an accelerated pace. Volga-Vyatka-based enterprises (both in retail and other sectors) surveyed in February reported a slight rise in price expectations, although such expectations continued to decline across Russia in general.

LABOUR MARKET. In early 2024, demand for labour remained elevated: in February, the number of vacancies exceeded the figures of the previous year by a quarter. Individual companies reported that it took them longer to hire personnel owing to the shortage of job seekers. Some companies raised wages ahead of schedule to retain and attract staff. For example, a major auto group increased wages several months ahead of the date stipulated by a collective employment agreement. A developer from Udmurtia raised wages earlier than usual due to the outflow of staff to the industrial sector. Just as a major regional enterprise, a producer from Mari El decided to increase wages. Wage growth accelerated in the macro-region in December. However, companies did not expect the situation with personnel to improve in the months to come.

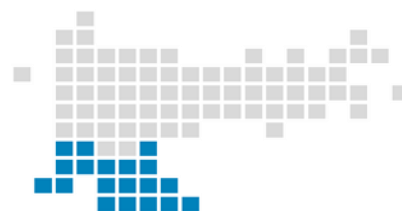
MONETARY CONDITIONS AND BANKING SECTOR. Annual growth of the corporate loan portfolio remained elevated as of early January. The average interest rate on corporate loans in December

decreased on account of major borrowers but increased on SME loans. According to the Bank of Russia's monitoring of businesses, in February, companies reported a slight improvement in lending conditions. Dynamics in retail lending segments were diverse in January. Growth of the mortgage portfolio in annualised terms continued to decelerate. The issue of both subsidised and market loans contracted. Annual growth of the consumer loan portfolio accelerated somewhat regardless of a continuing rate increase. The inflow of household funds into banks was elevated as before mainly on account of short-term deposits.

AUTOMOBILE INDUSTRY. In January, market sales of domestic cars manufactured in the macro-region continued to shrink (seasonally adjusted). The contraction was more considerable than across the market in general, as a major auto group decreased output in late 2023 owing to issues with individual components that had emerged last autumn. In February, these issues were solved and the auto group managed to upgrade the configuration of its products and ramp up output thanks to additional shifts. Sales of commercial vehicles manufactured by regional auto groups stayed below the autumn level owing to limited supply, among other reasons. To increase the output of a popular truck, a major manufacturer upgraded its truck cab installation process, which substantially shortened the time spent on this operation. Moreover, the macro-region's plant that stopped assembling vehicles in 2022 launched the production of a pilot batch of light trucks, with the full-scale production scheduled for this May.

CHEMICAL INDUSTRY. In late 2023—early 2024, output was recorded at the maximum level since 2021 Q4. At the same time, the industry registered diverse dynamics. The segments focused on domestic demand demonstrated output growth. For example, a major manufacturer of household chemicals reported a sales increase over the past months, as it took the place of foreign enterprises that had exited the market previously. In late 2023, another Volga-Vyatka-based enterprise – the only domestic manufacturer of a number of organic chemistry products – expanded its production capacities to manufacture them. However, major companies offering their products in the international market recorded a contraction in export supplies owing to an increase in the logistics leg and competition with local producers. Individual enterprises reported difficulties with introducing new components instead of those they used to purchase earlier, which also negatively impacted the production dynamics.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In February, consumer activity in the macro-region trended upwards relative to January. Tourist flows remained elevated. Corporate and retail lending growth accelerated. Inflation and companies' price expectations declined. Most agricultural enterprises in the South reported sufficient quantities of seeds, machinery, and fertilisers for the 2024 sowing campaign. There was an output decrease in industrial sectors. In the clothing and construction materials manufacturing sectors, this was driven by staff shortages and the need to upgrade equipment.

CONSUMPTION AND INCOMES. According to high-frequency data, consumer activity increased in February relative to the previous month. Demand dynamics across segments were diverse. Thus, expenses on services of tourist agencies, air and railway tickets and entertainment rose. Growth in spending slowed down in the food segment where retailers reported an increase in demand for low-cost in-house brands. This encouraged them to create new products. The labour market remained tight. To overcome staff shortages, companies introduced incentive payments and raised wages. For example, a major industrial and commercial holding in the Volgograd Region implemented an additional bonus system.

PRICES. Annual inflation continued to decelerate in January. The monthly seasonally adjusted price growth rate was also down. Prices for eggs edged down backed by expanding imports and growing output in individual regions of the South. The rise in prices for cucumbers and tomatoes slowed down owing to expanding supply of greenhouse products. The annual service price growth declined, since public transport and communication tariffs were not indexed in January 2024 in contrast to the same month of the previous year. Companies' price expectations were down, most of all in manufacturing.

MONETARY CONDITIONS AND BANKING SECTOR. As of early January, corporate lending remained elevated mostly due to demand for loans from real estate companies in the Krasnodar Territory. Annual growth of the consumer loan portfolio sped up in January, driven by elevated demand for car loans, among other reasons. For instance, Kuban entered top five Russian regions in terms of new car loans worth ₴5.4 billion (1.5 times more than in January 2023). Banks reported a decline in the mortgage lending activity in January–February owing to tougher conditions of the government-subsidised mortgage programme and rising market mortgage rates. Backed by higher interest rates, households' demand for deposits remained elevated, with balances on such deposits reaching their five-year highs.

TOURISM. In January–February 2024, the number of tourists in the macro-region exceeded the figures of the same period of 2023. Primarily the resorts of the Krasnodar Territory ensured positive dynamics of the tourist flows. For the May holidays, the booking of accommodation facilities is comparable with the same period of 2023 (20–30%) in the Krasnodar Territory and exceeds the figures of the last year in the North Caucasus. For example, most rooms of a health resort in the Stavropol Territory have been booked until early 2025. The increase in tourist flows is supported by the implementation of investment projects to develop the relevant infrastructure. For example, the

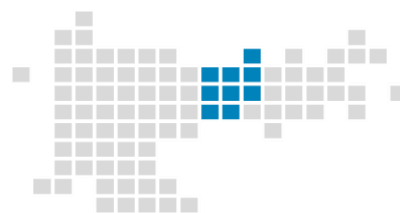
Arkhyz resort in the Karachayevo-Circassian Republic opened a new snow park in February. The Republic Dagestan plans to launch a new tourist facility in May 2024.

CLOTHING MANUFACTURE. In 2023 Q4, clothing manufacture remained below the level of the same period of 2022. According to enterprises, output slightly contracted due to the labour market situation as well as insufficient demand for individual goods on account of a high proportion of cheap imported alternatives. Amid staff shortages, a clothing manufacturer in the Krasnodar Territory switched to more sophisticated limited-edition products and reduced the number of offline stores. Clothing manufacturers also reported that they arranged in-house training of their potential employees and minimised the use of manual labour. A garment worker training centre was established in the Karachaevo-Circassian Republic. An enterprise in the Rostov Region plans to purchase an automated cutting machine to expand the output of special clothing. After the exit of foreign brands, major domestic companies consider occupying retail areas that became vacant. A clothing manufacturer in the Rostov Region launched a new brand and plans to open around 100 stores, including in the CIS countries.

CONSTRUCTION MATERIALS. The decline in the output in 2023 mainly associated with a downtime during the upgrade of production facilities by individual major enterprises slowed down in 2023 Q4. A cement producer in the Karachayevo-Circassian Republic reached its full capacity only by the end of the last year. After commissioning an additional production line this year, it plans to ramp up output by a fourth. Dependence on imported equipment limits the output amid insufficient supply of domestic alternatives. Nevertheless, a brick factory in the Volgograd Region purchased foreign equipment in 2023. A cement producer in the South cooperates with a domestic manufacturer of equivalents to foreign machines. Representatives of the sector reported that they cooperated with enterprises from friendly countries to solve similar issues. A manufacturer of construction materials in the Volgograd Region purchased equipment in Asia after foreign vendors had refused to supply it at the end of the last year.

CROP PRODUCTION. Agricultural companies started spring field work in February. Most agricultural enterprises are well resourced (have enough seeds, fertilisers, and agricultural machinery) to conduct the 2024 sowing campaign. The exit of foreign machine building companies and difficulties with supplies of spare parts for foreign equipment make agricultural companies purchase domestic machines. For example, Russian machines and components account for more than 80% of the fleet of a major Southern agroindustrial holding company. A number of regions have up to 90% of the required quantities of seeds. At the same time, agricultural producers report a persistently high proportion of imported seeds of a number of crops. Plant breeding centres of the Russian South are actively working to substitute them. For example, a key seed grower in the Stavropol Territory plants sugar beet to produce seeds. This will ensure the complete import substitution of sugar beet seeds in the next 3–5 years.

BANK OF RUSSIA URAL MAIN BRANCH



In February, the overall consumer activity in the Urals was up relative to December of the previous year. The Business Climate Index dropped owing to the deterioration of the expected production and demand dynamics. The overall industrial output decreased in January. Metallurgy, chemical, and wood processing enterprises ramped up the output of products in highest demand for the domestic market. Consumer lending rebounded but mortgage lending slowed down in January.

CONSUMPTION AND INCOMES. According to high-frequency data, in February, households' demand for goods and services was somewhat higher than last December. There was an increase in spending on food in supermarkets, medicines, and pet supplies, as well as entertainment, public catering, and medical services. According to dealers, difficulties with imports of used cars into Russia and high inflation expectations of buyers in the car market entailed growth in the sales of new cars, predominantly of Chinese makes. Moreover, demand is supported by the government-subsidised car loan programme for public sector employees. The labour market remained tight. Employment agencies reported that demand for staff hit new highs in January. More than half of companies surveyed by the Bank of Russia recorded staff shortages, with some of them hiring migrants. Due to the acute lack of staff, retailers use labour-saving technologies. For example, stores install self-checkouts and the number of portable shops increases.

PRICES. Annual inflation in the Urals trended upwards in January 2024, driven by the continuing rise in input costs of food, pharmaceuticals, and furniture, as well as sustainably high consumer demand in individual markets (of used cars, tyres, and fuel). Monthly price growth rate (seasonally adjusted) was up mostly on account of volatile components. In February, companies' price expectations dived in the industrial and construction sectors, but edged up in agriculture and retail. Ural companies still associate the expected price growth primarily with increasing costs.

MONETARY CONDITIONS AND BANKING SECTOR. Loan rates continued to rise in early 2024. Consumer lending grew moderately in January. Mortgage growth decelerated owing to the tougher macroprudential regulation of banks and an increase in the down payment under subsidised mortgage loans. In the corporate segment, demand for loans from the manufacturing, construction, and retail sectors persisted. The inflow of households' funds to bank deposits slowed down in January relative to the 2023 Q4 average.

METALLURGY AND METAL PROCESSING. In late 2023, price trends in the domestic market and CIS countries worsened somewhat. Output at Ural metallurgical enterprises declined in 2023 Q4 owing to capital repairs, among other reasons. In January, it continued to drop, as traders were reducing inventories in anticipation of further decline in sales. Staff shortages and export logistics difficulties make market players improve production performance. According to major companies, when production opportunities are limited, they prefer to focus on the output of the most sought-after or high-margin products as well as equipment to enhance and upgrade their own production sites and enterprises integrated into technological chains. Enterprises in the Orenburg Region concluded contracts for the supply of technological equipment for the railway-wheel mill under construction. A

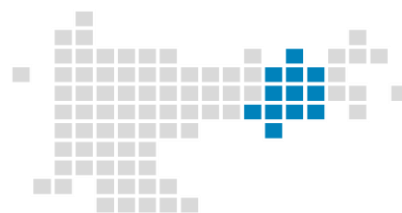
Tyumen-based plant ramped up output of cooling radiators. A manufacturer of spare parts for oil and gas equipment is building a new metal processing facility. In the Chelyabinsk Region, a plant producing pipes and other equipment for oil and gas well installation started to operate in late 2023. An enterprise making fixtures and furniture staples in the Republic of Bashkortostan increased its capacities and is hiring additional staff. In 2023, a major manufacturer of metal structures in the Kurgan Region multiplied its portfolio of orders for exports to friendly countries and plans to substantially ramp up output this year.

CHEMICAL INDUSTRY. In late 2023, the output of chemical products was down in the Urals, which was mainly due to shrinking exports of inorganic and organic chemistry products to unfriendly countries. An enterprise reported that the production contracted owing to a shutdown of production lines resulting from inferior quality of purchased imported components. Contrastingly, the output of individual products was up, driven by the launch of a number of new facilities, among other reasons. In October 2023, the Republic of Bashkortostan launched a plant producing binders for paints and varnishes used in the automobile production. Early this year, another enterprise commissioned two lines to manufacture paints for pipes and lubricants for metallurgy. The Tyumen Region continues the construction of the third propane dehydrogenation and polypropylene production complex. In 2024, the Orenburg Region plans to launch new workshops to manufacture insulation and plasterboard from chemical raw materials produced in the region. However, there are difficulties with hiring builders and equipment installers.

WOOD PROCESSING. In 2023 H2, output in wood processing trended downwards. Some manufacturers of highly processed products reported drops in exports, issues with supplies of individual components for equipment repairs and maintenance, and shortages of raw materials. Since export of roundwood was prohibited, the share of sawn lumber and products from waste materials increased in the composition of output. Domestic demand is supported by the dynamic individual housing construction. In late 2023, the Sverdlovsk Region launched the production of large-scale plywood and sawn lumber and opened a tree seed breeding centre. In December 2023, an enterprise in the Perm Territory installed equipment to manufacture oriented strand boards from non-merchantable wood. The production is to be launched in April 2024.

BANK OF RUSSIA SIBERIAN

MAIN BRANCH



In February 2024, consumer activity in Siberia remained at the elevated level of late 2023 in retail, public catering and other services. Growth in businesses' price expectations decelerated. Coal producers of Eastern Siberia continued to ramp up supplies. Metal makers increased sales of metals in the Russian market owing to the expanded range of products and strong demand from buyers who switched to domestic products. Railcar builders reported favourable environment and a high growth rate of domestic sales.

CONSUMPTION AND INCOMES. In February, consumer activity in Siberia remained at the elevated level of late 2023. Tourism and public catering companies still reported rising demand. Food retailers recorded elevated consumer activity. At the same time, consumers in the Krasnoyarsk Territory and the Irkutsk Region were somewhat less interested in buying cars supplied via parallel import channels, since prices for them and the cost of their technical maintenance soared. According to retailers, purchases of major appliances and home improvement goods dropped in February after the January sales. The labour market remained tight. Individual employers reported that in 2024 they have already raised wages for their key employees.

PRICES. In January 2024, monthly price growth (seasonally adjusted) sped up in the macro-region. The rising cost of flour and eggs boosted prices for pastry. Active housing commissioning in Siberia backed strong demand for finishing materials, furniture, and apartment repairs. In such conditions, companies more actively passed on higher costs of imported components, materials, and wages to consumers. An increase in wages and the cost of consumables boosted prices for medical services. During the next three months, businesses expect price growth to slow down.

MONETARY CONDITIONS AND BANKING SECTOR. In January–February, monetary conditions remained tight and price lending conditions deteriorated insignificantly. In corporate lending, banks reported that steady demand for loans for replenishing working capital and purchasing agricultural equipment remained unchanged. Amended conditions of subsidised mortgages, tougher macroprudential regulations, and growing market rates caused a reduction in new mortgage loans. Demand started to shift towards existing housing. Lending activity in the consumer segment also decelerated. High deposit rates prompted households to invest funds in deposits.

COAL MINING. In January 2024, coal mining in Siberia was up by 1 % in annualised terms. The positive dynamics were driven by regions located closer to Asian markets and Russian Far Eastern seaports with minimum issues with exports as well as those focused mainly on domestic demand. Demand from Russian metallurgical companies and energy producers remains steadily high. Kuzbass – Russia's largest coal mining region – reported a decline in coal production. The main problem was transportation: export to Eastern destinations was subject to quotas and export to Western destinations (via seaports of the South and North-West) was loss-making. In addition, high semi-fixed costs make Kuzbass companies export coal to the West at a loss, otherwise businesses' losses will be greater. Therefore, export supplies from Kuzbass decreased by almost 16% year-on-

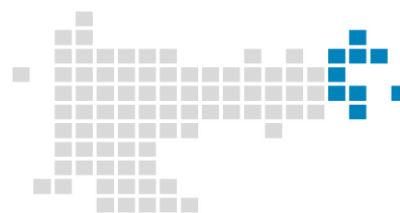
year in January (vs 14% in December and 13 % in November) according to the Ministry of Coal Industry of Kuzbass. Specifically export reduction caused the coal production in Kuzbass to shrink.

NON-FERROUS METALLURGY. In January 2024, a Siberian enterprise making non-ferrous metals reported diverse dynamics in the manufacture and sales of metal products. Asia remains the key target market. The largest part of the decrease in exports caused by sanctions was redirected to other destinations.

A major manufacturer of industrial metals reported that it had completely switched to new mining equipment and ramped up the production of individual items in 2023 Q4. In addition, the company fully achieved its annual output targets. It sold all of the goods released in 2023 and part of the remaining metals accumulated in 2022 by redirecting sales to friendly countries and the domestic market. The company notes that domestic demand for its products reached the highest level over the past 20 years, which was partly associated with the import substitution programmes implemented. Nevertheless, the 2024 output targets were reduced owing to an unfavourable external environment. Another major metal maker reports stable output. In January 2024, the company increased metal supplies to external markets, mostly to Asia, and to the domestic market (on account of expanded uses and import substitution) by a third in annualised terms and by 8%, respectively. Yet another metal manufacturer reported growth in production and sales. In 2023, the company launched the manufacture of a new high-margin product for the glass industry that is in high demand in the domestic market.

RAIL CAR MANUFACTURING. In 2023 H2, Siberian rail car builders reported a favourable environment in the Russian market and high growth in sales of new rail cars manufactured in Siberia – grain hoppers, tank cars for petroleum products and vegetable oils, refrigerators, container flat cars, and containers. According to Siberian manufacturers, logistics flows are still being redirected to the East, boosting additional demand for rail cars. The decommissioning of old rail cars is and will be growing. Moreover, amid issues with export transportation, coal enterprises are procuring their own rolling stock. This is relevant for Siberia as the country's main coal mining region. A major Siberian rail car manufacturer reported growth in production and sales in 2023 and expectations of strong demand in 2024. Notably, the company has a sufficient number of orders until late 2024. A manufacturer of related products, specifically cargo containers, recorded an increase in demand. The company has found its niche – the production of customised containers meeting the requirements of a specific customer. In 2023, the enterprise mastered the manufacture of five new container types, including for the transportation of coal. According to the manufacturer's estimates, in 2024, the container transportation market would continue to grow and demand for the company's products would remain high. According to businesses' estimates, in early 2024, the favourable environment in the sector remained unchanged. In January, the output of cars in Siberia grew by almost 14% year-on-year.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In February 2024, consumer activity in the macro-region was down. Companies' price expectations lowered, although remaining elevated. Issues with shipments to seaports and weak external demand resulted in a decline in coal exports. Car imports were up. Capacity utilisation rates of shipbuilders and ship repair yards remained high, and plants expect a further increase in orders.

CONSUMPTION AND INCOMES. According to high-frequency data, in February, consumer activity in the macro-region trended downwards. Food retailers in various regions reported a stable trend towards the contraction of demand for expensive goods. An electronics seller recorded a substantial shift in demand towards cheaper goods. A major perfume and household chemicals retail chain in the Khabarovsk Territory reported that demand decreased in February, which was not typical of the period before holidays. According to a Kamchatka-based public catering enterprise, the average bill was up in January due to growth in prices, rather than higher seat occupancy rates. Travel agents from Khabarovsk and the Primorye Territory recorded an increase in demand for both domestic and foreign destinations in January–February relative to the same period of the previous year. Additional flights to an Asian country were launched in February. Short-term demand expectations of retailers and service companies improved somewhat in February, while remaining low.

PRICES. In December, monthly price growth (seasonally adjusted) slowed down, though remaining elevated. This was mainly due to a decline in air ticket prices, driven by the growing number of flights from some Far Eastern regions and discounts on individual destinations. Food prices were rising at a pace exceeding the Russian average rate, including owing to growth in transportation expenses, driven by soaring railroad fares. Fuel prices were down on account of decreasing on-exchange prices in December and individual wholesalers selling excessive inventories accumulated in the autumn months when export restrictions were in force. According to weekly data, overall price growth sped up in February. Companies' price expectations had been declining for the third consecutive month, but remained elevated. Expectations lowered most notably in trade and construction. According to enterprises, this was mostly caused by shrinking demand and declining prices for fuel.

MONETARY CONDITIONS AND BANKING SECTOR. As of early January, the corporate loan portfolio remained almost unchanged relative to early December 2023. According to banks, demand for lending contracted in the corporate segment in January–February. Major borrowers demonstrated stable demand for investment loans in relation to earlier launched projects in mining, transportation, and construction as well as government-owned projects. In January–February, banks recorded a decline in household's demand for loans. Growth in mortgage lending slowed down in January, but less than across Russia in general owing to a high proportion of the Far Eastern Mortgage in new loans. The inflow of household funds into time deposits continued amid sustainably high rates.

LOGISTICS. In January, cargo traffic at Far Eastern seaports hit a three-year low. Coal transshipment contracted, driven by weak demand from an Asian country. In January, adverse weather conditions caused coal freezing, which complicated cargo handling operations and brought about a lack of empty rail cars and a decline in coal transportation via railways. In February, restrictions on container train movements to the Far East were introduced to ensure exports of accumulated coal. Therefore, enterprises reported that transportation prices soared more than 1.5 times compared to January, and the waiting period for cargo shipment reached 30 days. The challenging ice situation delayed cargo shipments to Sakhalin in February, which caused congestion at the passage in the Khabarovsk Territory.

MINING AND EXPORTS OF FUEL AND ENERGY RESOURCES. In January, oil production on Sakhalin remained at the high level of late 2023, but was lower than the 2021 average. After a two-month break, oil supplies from Sakhalin to an Asian country were resumed. Coal production in the macro-region increased in January by 16% year-on-year. However, owing to issues with coal shipment to seaports, supplies to Asian countries were delayed for up to one month in January–February. Prices for coal exported via Far Eastern seaports edged up in February relative to January, while remaining at the low level of June 2021. After an Asian country introduced import duties in 2024, the discount on Russian coal surged. This made supplies via longer routes through Southern and North-Western seaports loss-making. As a result, exporters started to refocus on supplies to Eastern destinations.

CAR MARKET. Since late October 2023, supplies of imported cars in the macro-region rebounded after a sharp drop in August–September when an Asian country imposed export restrictions. Import increases as buyers switch to compact cars and supplies via third countries are arranged. By February, car prices had risen by more than a quarter compared to August 2023, driven by an increase in prices at foreign auctions, more complicated import schemes, and higher recycling fees. Due to growth in supplies of Chinese cars, in January, sales of new foreign cars reached pre-sanction levels. In January 2024, four times more Chinese cars were imported to the Khabarovsk Territory than over entire 2023. Car makers expect prices to grow further owing to the introduction of export restrictions by yet another Asian country in late February and the toughening of the car import procedure from April.

SHIPBUILDING AND SHIP REPAIR. The macro-region's shipbuilders and ship repair yards report high capacity utilisation rates. In January, a major company of the Primorye Territory started constructing the first of the five ships within the second stage of crab auctions. The shipbuilders of the Khabarovsk Territory started constructing the body of a new floating dry dock. Plants expect the number of orders to increase in the future. In 2024, Khabarovsk shipbuilders plan to cut the first steel for a new crabber, and a shipbuilding plant plans to construct new train ferries in the Primorye Territory. An enterprise in the Primorye Territory renewed ship repair works in January after the mooring was upgraded in 2023. The shortage of high-qualified ship builders persists despite the fact that wages are higher than the market average.

BOX 1

CONSUMER ACTIVITY. DRIVERS AND COMPOSITION OF SPENDING

In 2023, consumer demand started to rise steadily in most regions. Consumer spending in comparable prices exceeded the 2021 Q4 level as early as in 2023 H2. Growth in consumption was mainly driven by increases in wages, social welfare allowances, budget payments, and lending volumes. Consumer activity was boosted by buyers' adaptation to new brands and elevated inflation expectations. Strong demand was one of the reasons why inflation accelerated in 2023 H2. As a result of the monetary policy tightening by the Bank of Russia, growth in consumer activity slowed down in 2023 Q4. However, higher real wages and the inertia of pent-up demand continued to keep household spending at a high level. Nevertheless, household propensity to save started to rise, generating a stable inflow of household funds into time deposits.

CONSUMPTION IN 2023 AND EARLY 2024

According to InFOM data, consumer optimism grew noticeably in 2023 Q1 and remained high throughout the year. Over 2023 Q2–Q3, the portion of households believing that the current period was favourable for large purchases and opting to buy expensive goods rather than save was rising. Components of consumption were growing at a different pace, with the consumption of commercial services rising the most quickly. Before March 2023, catering expanded very fast, then grew steadily but more slowly than retail in general. **Non-food sales showed the most dynamic growth in 2023.** By mid-autumn 2023, non-food sales exceeded the level of 2021 Q4 (3MMA SA, Chart B-1-1). In general, seasonally adjusted real consumer spending was 2.2% higher in 2023 Q4 than in 2021 Q4.

Growth in consumer activity slowed down between late 2023 and early 2024 as the household propensity to save started to rise. In 2023 H2, banks raised their interest rates on deposits, making the latter more attractive for households. Some households switched to the saving behaviour model. According to Rosstat data, the savings rate reached a three-year high of 10.2% in 2023 Q4. The higher propensity to save in early 2024 is evidenced by data from InFOM surveys (Chart B-1-2).

Russian regions demonstrated different consumption growth paths. Catering, hotel and transport services were growing faster in the Moscow Region and North-Western regions than across Russia in general. The South saw a slowdown in consumption in 2023 H2 and further on, as tourist traffic partially shifted towards overseas destinations. Regions in the Urals and Volga-Vyatka registered stronger consumer activity mainly fuelled by a surge in wages in manufacturing. In the Far Eastern macro-region, consumer spending exceeded the 2021 Q4 level as early as in 2023 Q2. In November, retail sales began to go down.

DRIVERS OF CONSUMER SPENDING

Real income gained 4.6% in 2023 on the back of stronger economic activity and higher real wages. This was registered in all Russian regions (Chart B-1-3) and boosted consumption. Consumption rose more significantly than income in 26 regions, including St Petersburg, Moscow, and the Moscow Region. In the other regions, income showed more considerable growth than consumption, partially

suggesting that consumption in these regions had potential for further expansion even though demand tended to migrate from region to region.

In 2023, growth in household income was primarily driven by rises in wages caused by the transformation of the labour market amid labour shortages in a wide range of sectors. In early 2024, the unemployment rate was still at an all-time low. In the Chelyabinsk, Kurgan, Kursk, Murmansk, and Irkutsk Regions, companies engaged in fulfilling public procurement orders reported that they still had longer working shifts, overtime work, and hence higher wages. According to Rosstat data, in 2023, labour compensation increased by 13.6% (by 13.7% in 2022), business expenses – by 30.9% (by 14.9% in 2022), and social welfare allowances by 7.8% (by 9.5% in 2022) in nominal terms nationwide. Property income decreased by 37.4% (increased by 55.7% in 2022) but other income, including hidden income, rose by 27.4% (declined by 6.5% in 2022).

Outstanding consumer loans due from households went up by over ₺2.1 trillion in 2023 (+18.3% on 2022). They were growing at nearly the same pace (per capita) across macro-regions (Chart B-1-4). Concurrently, household funds in bank accounts (excluding escrow accounts) rose even more in 2023 – by around ₺8.3 trillion (+22.5% on 2022) – owing to the high household propensity to save. Therefore, growth in household savings noticeably exceeded growth in borrowings (net of mortgages).

KEY AREAS OF CONSUMER SPENDING

According to Rosstat data, **sales of nearly all basic food and non-food products surged in 2023** (Chart B-1-5), especially in those segments where foreign brands, which had exited the Russian market, were substituted as quickly as possible, e.g. perfumes, cosmetics, clothing and footwear, household goods, domestic appliances and digital devices. There was a considerable increase in supply of these goods made in Russia and China and a speedy arrangement of their parallel import. **In the second half of the year**, the ruble depreciation and rising inflation expectations prompted **Russian households to quickly buy goods the purchase of which they had been postponing before.** Notably, in 2023, sales of some goods did not reach the 2021 levels (cars, refrigerators, washing machines, smartphones, and furniture), suggesting that there was still some potential for pent-up demand amid restrictions. In 2023, growth in car sales was largely driven by the expansion of car output in Russia and the higher availability of Chinese cars. The four most popular Chinese car makes accounted for nearly a half of total new car sales in St Petersburg. The same situation was registered in the Siberian car market. Yet, demand for cars has not been fully met because of an insufficient supply of and high prices for new cars. That is why consumers refrain from buying them, with demand shifting towards the second-hand car market where prices continue to rise faster than in the market of new foreign cars.

Consumer spending on services went on growing in 2023. Spending on cultural services (movies and theatres) and tourism rose most of all. This supported noticeable growth in the consumption of transport services, for example, Russian households' spending on air and railway tickets. **2023 saw a noticeable increase in domestic tourism** (by 16.7% in terms of the number of trips according to Rosstat data). In addition to Southern and North Western regions, there was more tourist traffic registered in the Republics of Altai and Tatarstan, the Tyumen and Vladimir Regions.

The development of domestic tourism led to an increase in revenues of restaurants, fast food outlets, and cafés. **Customer traffic to public catering facilities had grown considerably since early summer 2023.** For instance, in Moscow, the number of fast food orders rose most significantly (YoY) over January. Concurrently, there was an increase in spending on meal deliveries and take-away

meals. Consequently, wholesale suppliers registered greater demand for food from cafés and restaurants.

CHANGES IN CONSUMER PREFERENCES

2023 saw growth in the shopping mall traffic in the South, the North West, the Urals, and Central Russia. According to tenants, this did not necessarily result in higher sales, as **demand was shifting noticeably from conventional retail outlets to marketplaces, pushing up online sales**. Their share in total retail sales was up to 7.9% in 2023 (from 6.0% in 2022), as estimated by Rosstat. Moreover, according to the Association of the e-commerce companies, the share of cross-border purchases continued to decline, boosting sales inside the country. Among the reasons, why they prefer to buy things online, consumers mentioned that new sales channels enabled them to find the best bargains, as evidenced by data from InFOM surveys. Online sales of clothes and fast-moving consumer goods rose more noticeably in 2023. The number of online food orders at a popular marketplace went up much higher in St Petersburg than nationwide. Consumers tended to visit shopping malls for leisure, to see products physically and buy them online afterwards. Therefore, shopping malls in large cities started to make some of their premises into art spaces, entertainment areas, bazaars, fitness studios, and pickup points. The Omsk Region arranged sports and entertainment events to increase customer traffic to large shopping malls.

According to sales experts, the **development of online sales boosts consumer activity**, as the purchase process becomes much easier and faster, with sellers expanding their market reach.

Consumers were still adjusting to a new product mix. Many regions registered a greater need for repairs of cars, domestic appliances, and electronics. According to experts, as it was impossible to fully meet demand for individual goods and services, which used to be widely available (foreign tourism, cars of foreign brands that had left the Russian market), consumers changed their preferences and increased their spending on domestic travel, sports and cultural events, and eating out. In the Urals and Siberia, companies noted a greater role of online sales in catering. Online order aggregator solutions made it possible for some catering outlets to launch their own meal delivery services. According to experts, elevated demand for products of the catering industry somewhat restricted growth in retail food sales. Siberia saw a trend towards developing small neighbourhood and ready meal shops. Take-away chains were rapidly expanding in the Urals.

ASSESSMENTS AND 2024 EXPECTATIONS

According to experts, the labour market will continue to be tight in 2024. Labour shortages will boost further growth of wages in a wide range of industries, which in turn will support consumer demand.

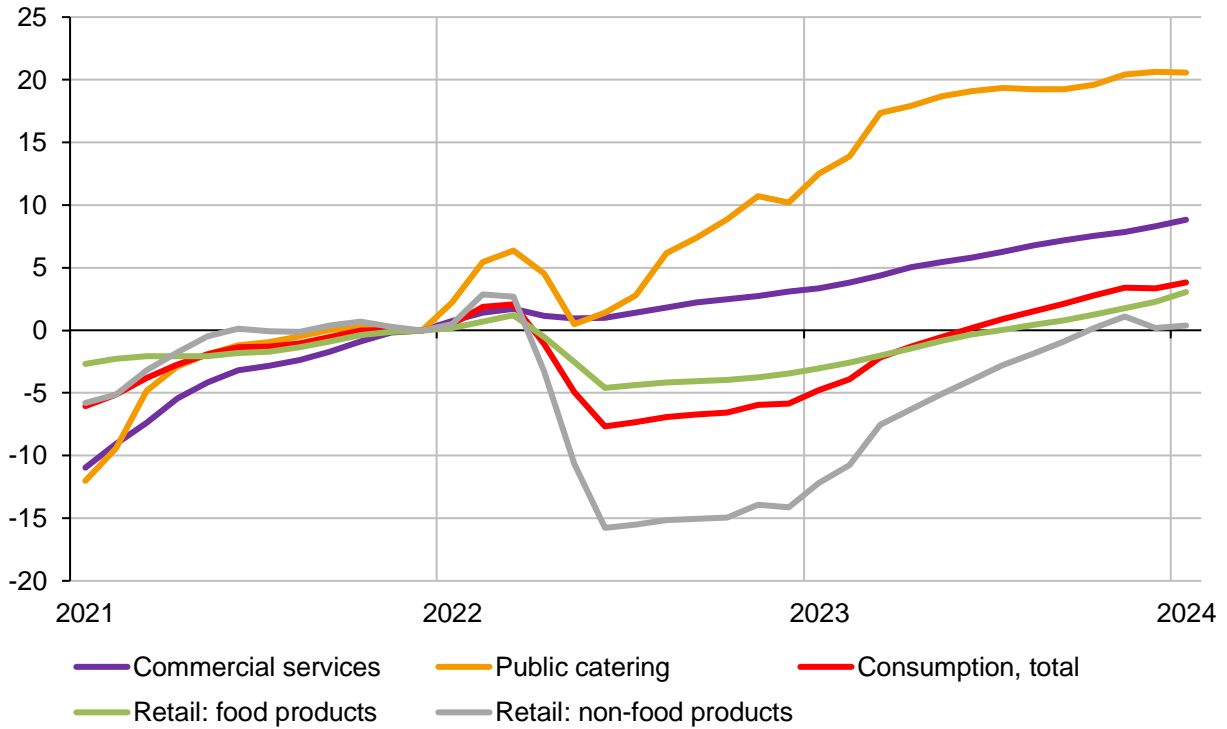
Car dealers and market experts believe that car sales will be up relative to 2023, as consumer trust in new car brands (Russian and Chinese) improves amid the continuing pent-up demand for new cars and the rising cost of their import.

Nevertheless, banks expect growth in consumer lending to slow down further in 2024 H1 and moderate consumer activity as long as the current situation remains the same.

In early 2024, respondents from industries relating to the consumer market became less optimistic but remained generally positive about demand in the next three months.

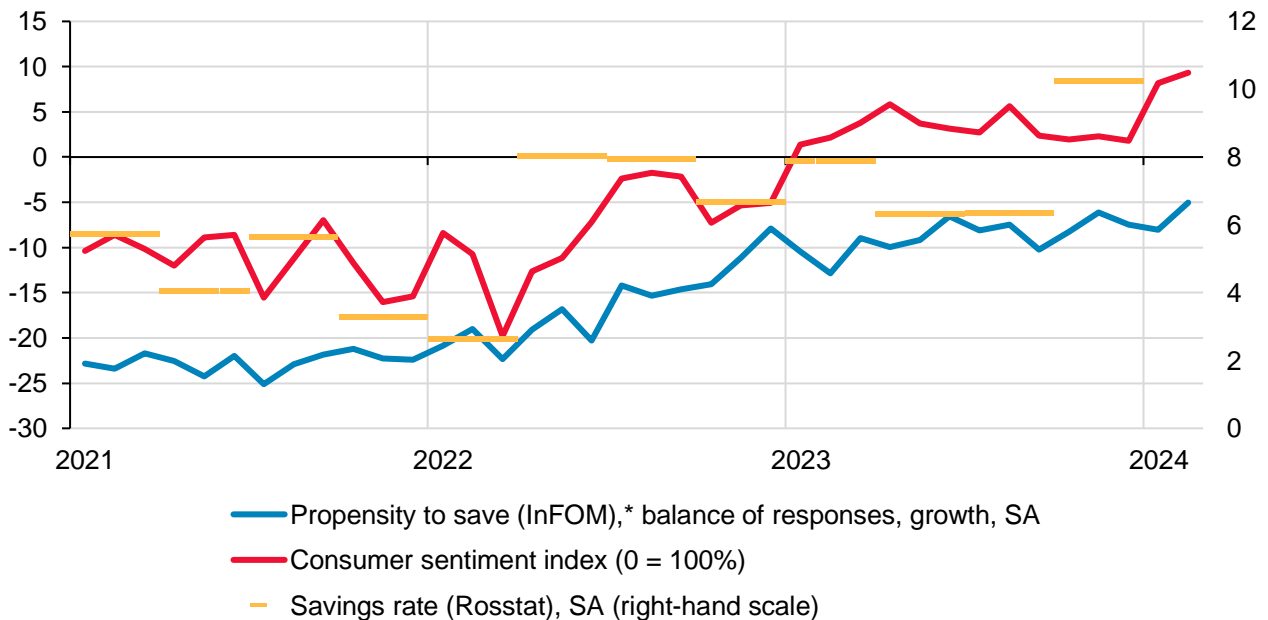
In 2023 H2, real consumer spending of households exceeded the 2021 Q4 level and continued to go up in early 2024 backed by higher income, the release of pent-up demand, and overall inertia in consumer sentiment resulting from the effect of rising income and greater confidence in the updated range of consumer goods. Given the current changes in the economy, market participants expect consumer demand to rise further this year, but its growth will be slowing down.

Chart B-1-1. Components of consumption, Russia, 3MMA, % on 2021 Q4, seasonally adjusted



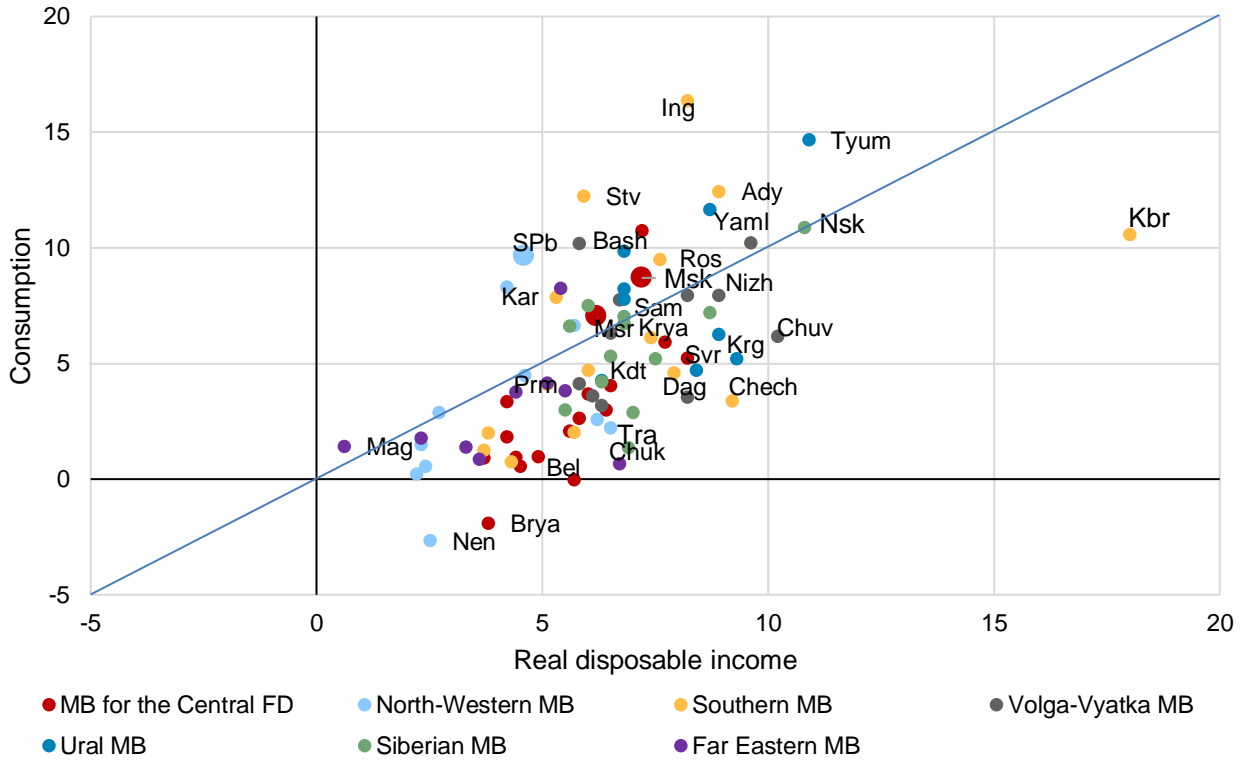
Note. Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People’s Republic, the Lugansk People’s Republic, the Zaporozhye Region, and the Kherson Region.
Sources: Rosstat, Bank of Russia calculations.

Chart B-1-2. Consumer sentiment index and propensity to save, %



*Propensity to save is a balance of responses to the question ‘Generally speaking, do you think that now is a good, neither good nor bad, or bad time to save?’
Sources: InFOM, Bank of Russia calculations.

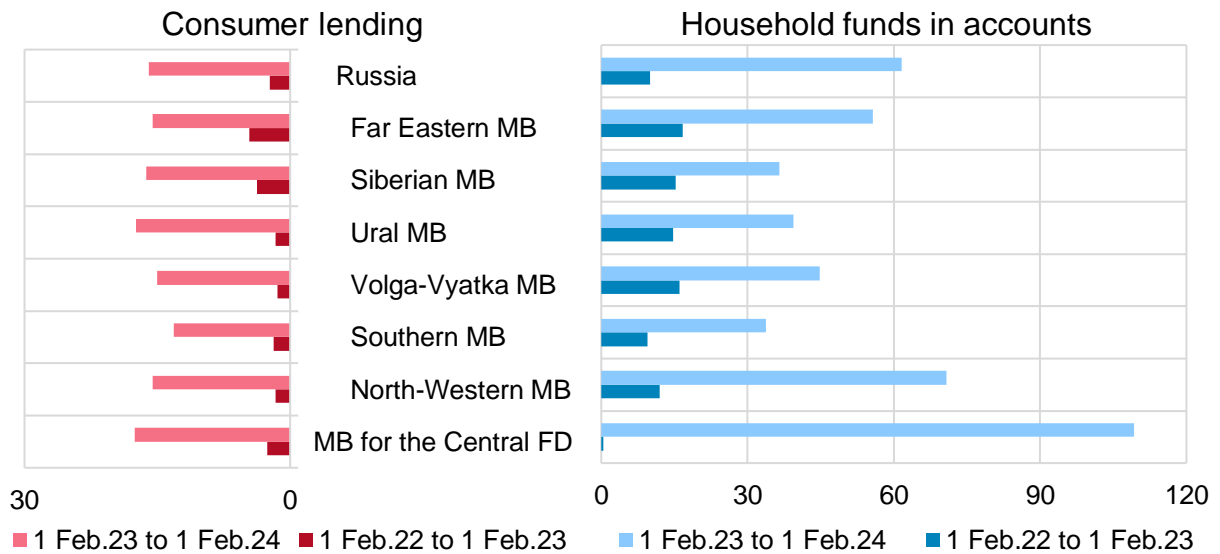
Chart B-1-3. Household consumption and real disposable income, 2023 on 2022, % growth



Note. Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People’s Republic, the Lugansk People’s Republic, the Zaporozhye Region, and the Kherson Region.

Sources: Rosstat, Bank of Russia calculations.

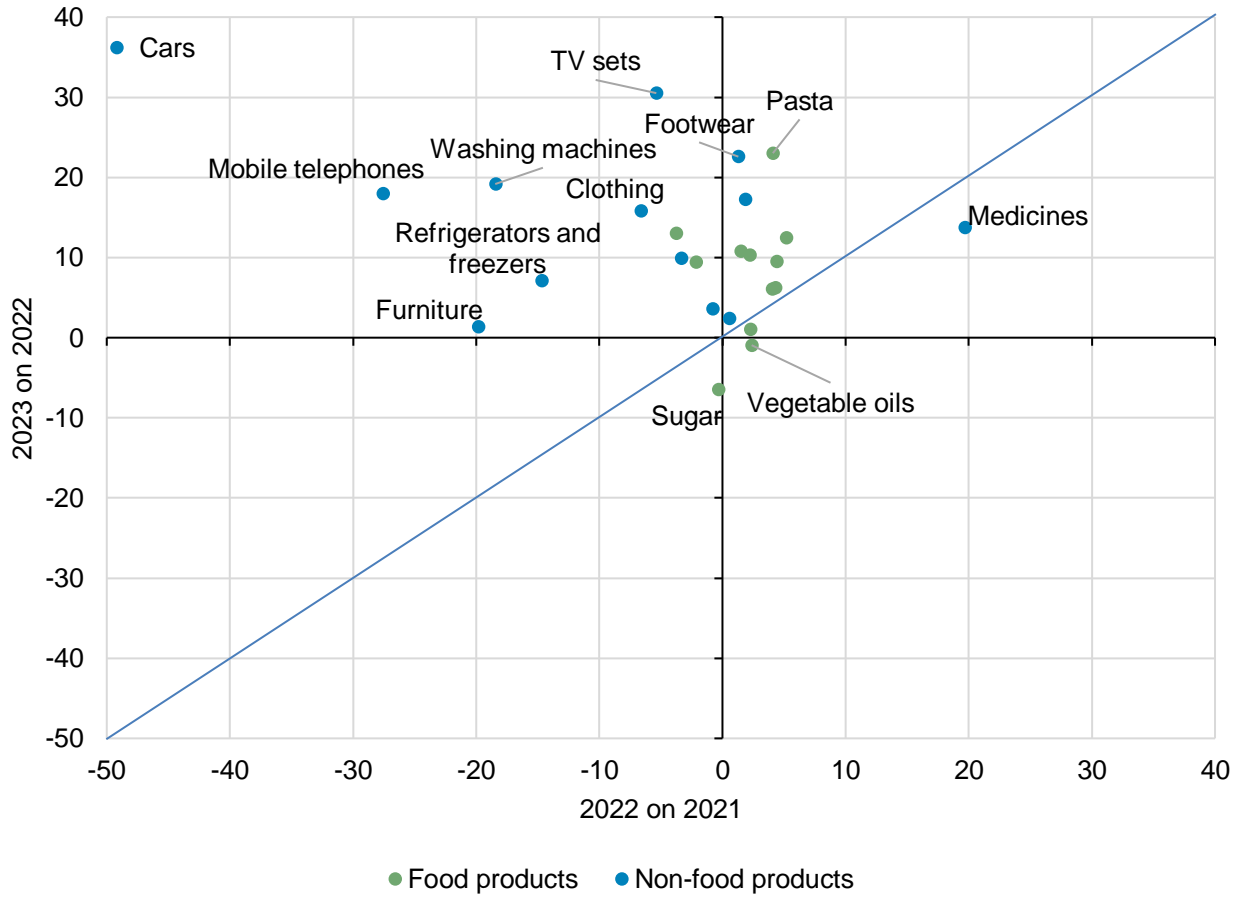
Chart B-1-4. Increases in outstanding consumer loans due from households and household funds in accounts, per capita, ₹ thousands



Note. Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People’s Republic, the Lugansk People’s Republic, the Zaporozhye Region, and the Kherson Region.

Source: Bank of Russia

Chart B-1-5. Retail sales* of main product groups (quantities), % growth, year-on-year



*Large and medium-sized enterprises.
Sources: Rosstat, Bank of Russia calculations.

BOX 2

CURRENT CONDITION AND UTILISATION RATE OF PRODUCTION CAPACITY IN INDUSTRIAL AND OTHER SECTORS

The production capacity utilisation rate reached an all-time high in the Russian economy by the end of 2023. Industrial and other companies were increasing the utilisation rates of existing production capacities and commissioning new ones to meet high demand. Labour shortages and existing difficulties with supplies of imported components and equipment hindered the expansion of production by businesses. There was an increase in the share of equipment made in Russia and Asia in the composition of equipment purchased by companies.

UTILISATION OF PRODUCTION CAPACITY

According to the Bank of Russia's monitoring of businesses, the production capacity utilisation rate hit a record high of 81% in 2023 Q4 (Chart B-2-1). It was rising (both year-on-year and relative to longer-term averages) in all Russian macro-regions (Chart B-2-3). The situation differed from sector to sector because of two key factors, namely demand trends and an ability (of companies affected by restrictions) to switch from foreign to domestic suppliers.

The common factor behind the increase in the production capacity utilisation rate was rising demand fuelled by restrictions on imports and the exit of some foreign producers from the Russian market. In the North-Western macro-region, a manufacturer of semitrailers and a manufacturer of refractory materials increased the utilisation rates of their production capacities due to a rise in the number of orders placed by Russian companies, which used to buy foreign products that became unavailable. For the same reason, a Urals-based chemical factory increased its production capacity utilisation rate and managed to satisfy the demand for catalyst agents from oil refineries of major Russian oil companies. Some manufacturers of consumer and investment goods based in the South, Volga-Vyatka, and Central Russia reported that they had increased the utilisation rate of their production capacities to meet the existing demand after the exit of foreign companies.

Car production continued to rebound in the North-West and Central Russia due to the refocusing on output of Russian and Chinese cars. A large manufacturer of electric equipment from the North-West reported a record high utilisation rate related to greater demand from Volga-Vyatka-based car factories. Higher utilisation rates were often accompanied by a larger number of working shifts. For example, a Volga-Vyatka-based bus manufacturer and a South-based manufacturer of metal structures started to work in two shifts.

Many manufacturers increased their production capacity utilisation rates amid rising demand from the public sector. For example, in 2023, the production capacity utilisation rates of Far Eastern shipbuilders hit three-year highs, as they received a large number of domestic orders, including those to build ships as part of the investment quota programme. Siberian aircraft builders and instrument-making factories reported higher production capacity utilisation rates amid the increased public procurement. The high utilisation rate of construction companies' production capacity resulted from rising demand for housing supported by government-subsidised mortgage

programmes and the implementation of the national road development project, as reported by construction companies from nearly all macro-regions.

In agriculture, the increase in the production capacity utilisation rate was driven by the expansion of not only domestic but also foreign demand. For instance, certain agricultural enterprises in the South doubled exports of corn and increased those of poultry meat 1.7 times. A large poultry factory and a greenhouse facility from the Urals reported greater domestic demand and a 100% production capacity utilisation rate.

The production capacity utilisation rate in sanctioned export-oriented sectors depended on their ability to redirect supplies to the domestic market and the pace of such redirection. For example, major metal makers in the Urals and the North-West managed to largely substitute banned exports for supplies to the domestic market and friendly countries. Consequently, their production capacity utilisation rates recovered after a drop in 2022. A Urals-based large manufacturer of metal structures increased its production capacity utilisation rate thanks to the expansion of exports to CIS countries. In Ural and North-Western regions, the production capacity utilisation rates of mineral fertiliser manufacturers remained high, as there were no direct trade restrictions.

However, the situation with the production capacity utilisation rates of wood processing companies in the North-West remained difficult and diverse. Plywood manufacturers reported a lower production capacity utilisation rate because of foreign trade restrictions and problems with the redirection of exports, whereas chipboard and sawn lumber manufacturers registered a higher production capacity utilisation rate due to greater demand from the construction sector and furniture manufacturers. According to forestry and logging companies from the Far East, their production capacity utilisation rates were falling in 2023. The key reasons were shrinking markets because of foreign trade restrictions and weak demand from China due to the turbulence in the real estate market.

Existing foreign trade restrictions had only a limited adverse effect on the production capacity utilisation rate in the mining and quarrying sector. In 2023, it remained generally high. A Urals-based large oil producer reported a relatively stable production capacity utilisation rate of around 97%. In the last few years, Ural oil producers had to maintain the high intensity of drilling and hence the high production capacity utilisation rate, as some oil fields were nearing exhaustion. As a result of continuing high demand from Asian partners (Japan, China), the capacity utilisation rate of gas production as part of a large project in the Far East exceeded its design capacity in 2023. Concurrently, some Far Eastern oil producers did not fully utilise their production capacity to avoid the excessive use of their equipment (because it was difficult to replace it and buy spare parts for it). Insufficient railway output limited opportunities for coal producers in Kuzbass and the Republic of Khakassia to utilise their production capacity in full.

Difficulties with supplies of foreign components were also hindering the utilisation of the existing production capacity. A Urals-based manufacturer of inorganic chemicals reported accidents and a lower production capacity utilisation rate because of poor quality of imported components. Far Eastern gold miners registered a lower production capacity utilisation rate over 2023 in part because of problems with supplies of foreign components. A Far-Eastern wood processing company noted that its logging operations were hindered for the most part of the last year, as it was unable to buy necessary spare parts for foreign equipment.

Labour shortages were still substantially limiting increases in the production capacity utilisation rates, as reported by oil refineries and a large engine plant from the Urals, aircraft and automobile plants, a paper maker from Volga-Vyatka, and Siberian construction companies. According to one of Far Eastern coal miners, they had to compete for workers with oil and gas

companies.

CURRENT CONDITION, UPGRADE, AND EXPANSION OF PRODUCTION CAPACITIES

Companies in the real sector were heavily investing in the expansion and upgrade of their production capacities to meet greater demand in 2023. Fixed capital investment (in comparable prices) was up by 9.8% and 17.2% in 2023 on 2022 and 2021, respectively. Recent surveys conducted by the Bank of Russia in late February 2024 showed that the share of companies that had expanded their production capacities in 2023 exceeded the share of those that had reduced them (36% and 9%, respectively). This situation was observed in most industrial sectors, as well as in construction and agriculture (Chart B-2-4).

Production equipment was supplied from other countries. There was an increase in the share of equipment made in Russia and friendly countries in the overall volume of equipment purchased in 2023. For instance, in 2023, a Urals-based metal-working company installed equipment made in Asia, whereas in 2022, it purchased equipment made in unfriendly countries (Spain, Italy). A large North-Western auto components manufacturer reported that as companies from unfriendly countries discontinued the maintenance of its production equipment, it procured alternatives from Asian companies to replace broken down equipment.

The replacement of equipment and components suppliers enabled individual companies to ensure business continuity, however, some difficulties remained. For example, Siberian opencast coal miners noted that Asian alternative tools did not always meet their business needs. According to a Urals-based auto components manufacturer, its products declined in quality, as it had to switch to spare parts of other manufacturers.

2024 EXPECTATIONS

Streamlined business processes and new equipment are supposed to boost labour productivity and partially solve the problem of labour shortages. As the recent survey by the Bank of Russia shows, companies expect a 3.2% increase in labour productivity in 2024 (a median estimate, Chart B-2-6). For instance, an aircraft builder from Volga-Vyatka upgraded and modernised its production facilities to raise labour productivity in 2023, as a result of which assembly lead times almost halved at some sections.

Modernisation focus areas included the automation and robotisation of production lines. The installation of robot welding enabled a Siberian rail car builder to raise output and hence labour productivity in 2023, partially solving the problem of labour shortages. According to a large Volga-Vyatka-based machine builder, it managed to speed up the output of components by 40% thanks to the robotisation of the cutting and welding section of its production line, and cut labour needs at this section by 70%. Siberian coal miners were implementing labour saving automation solutions.

Companies' abilities to upgrade the existing and launch new production facilities were somewhat limited due to difficulties with the supplies of foreign equipment. The launch of a non-woven glass fiber plant in Central Russia was rescheduled from 2023 to 2026, as supplies of some equipment had been banned. A gypsum production company was unable to expand its production facilities considerably due to difficulties with supplies of imported equipment and spare parts. A Urals-based concrete factory stopped upgrading two new production lines using a European technology, as the deal related to the full set of automated production lines had been cancelled.

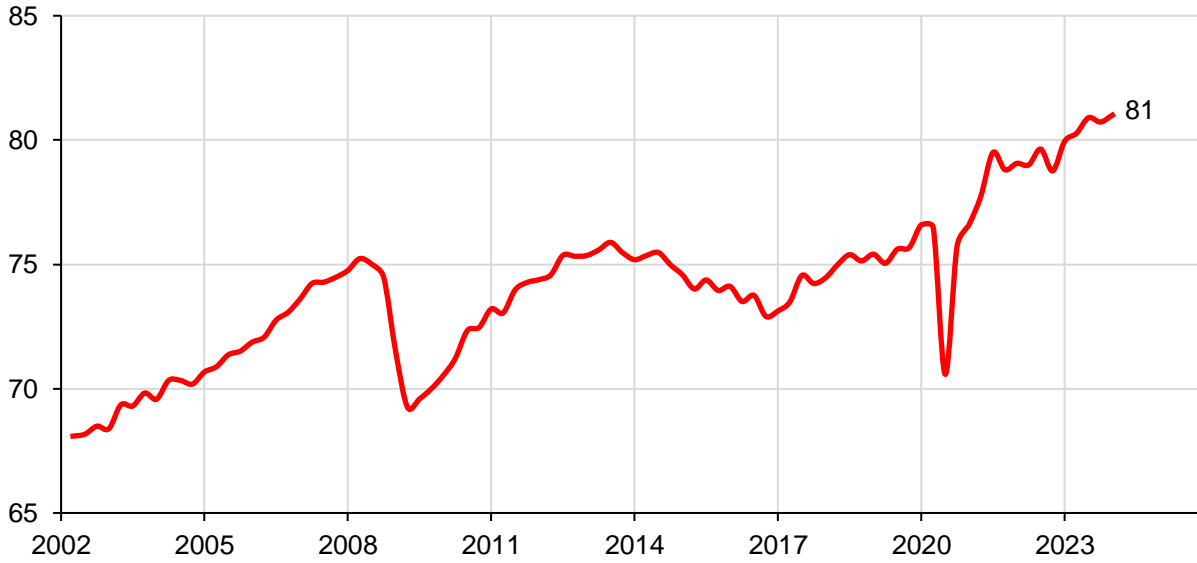
Companies from various sectors participated in the national project Labour Productivity. As

part of the national project, a Siberian ceramic brick factory partially satisfied its labour needs. Simultaneously, the company digitalised its production processes using in-house software and improved the quality of its products. According to a food manufacturer from the Urals, it expected a 6–10% rise in labour productivity over 2024 due to the installation of new equipment.

In addition to the upgrade of existing and the purchase of new equipment, the expansion of production capacity will be facilitated through the reactivation of old facilities. Amid elevated demand, a Urals-based ferrous metal maker resumed operations after a long period of inactivity and planned to reopen an old smelting shop to increase its production capacity.

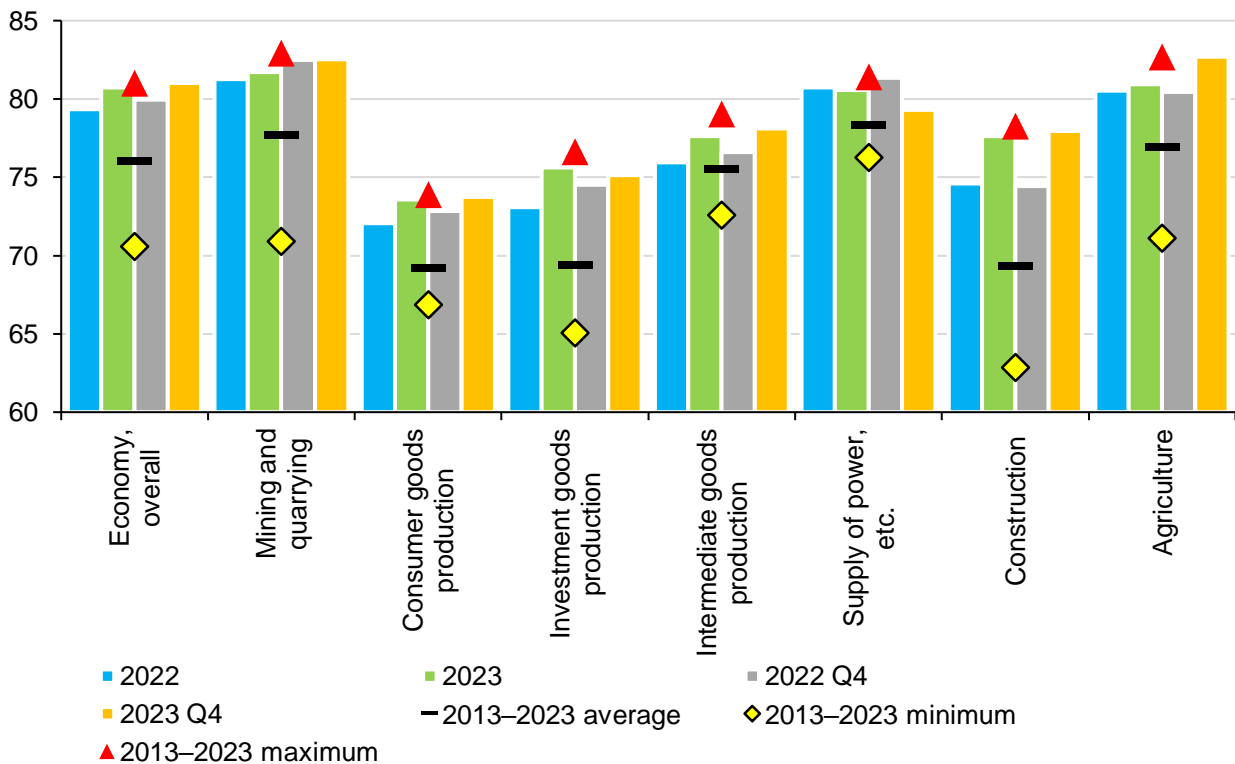
The high utilisation rate of production capacity was driven by growth in demand for domestic products in part owing to restricted imports and the exit of some foreign manufacturers from the Russian market. Companies significantly increased investment in the modernisation and expansion of their production facilities to adapt to the new environment. Persistent difficulties with supplies of foreign equipment and components coupled with labour shortages somewhat limited opportunities of individual companies to expand production.

Chart B-2-1. Production capacity utilisation rate in economy overall, % SA



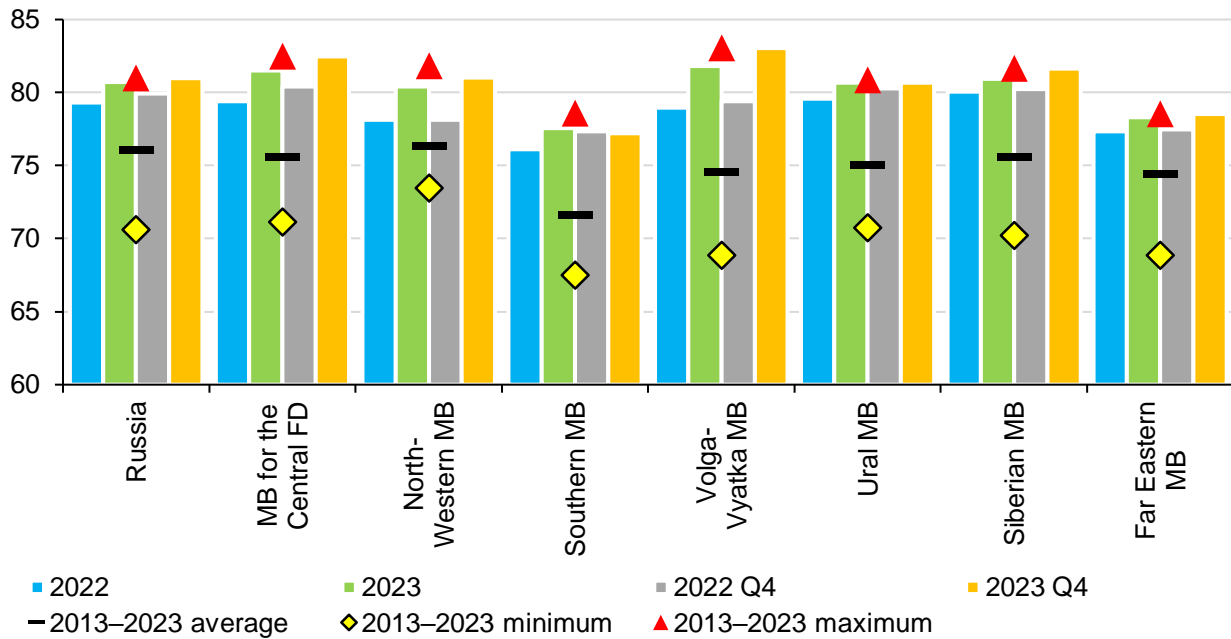
Note. The chart shows data on Russia excluding new regions.
 Sources: Bank of Russia's monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-2. Production capacity utilisation rate by sector, % SA



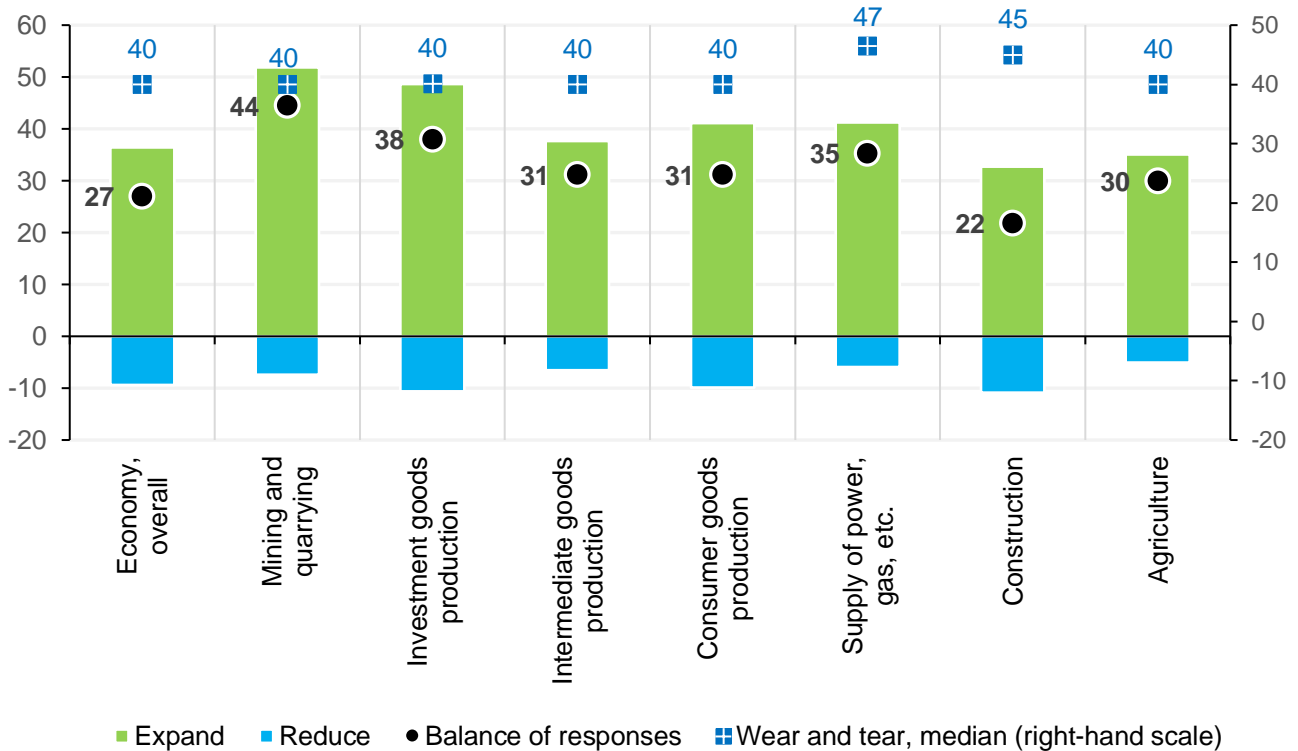
Note. The chart shows data on Russia excluding new regions.
 Sources: Bank of Russia's monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-3. Production capacity utilisation rate by region, % SA



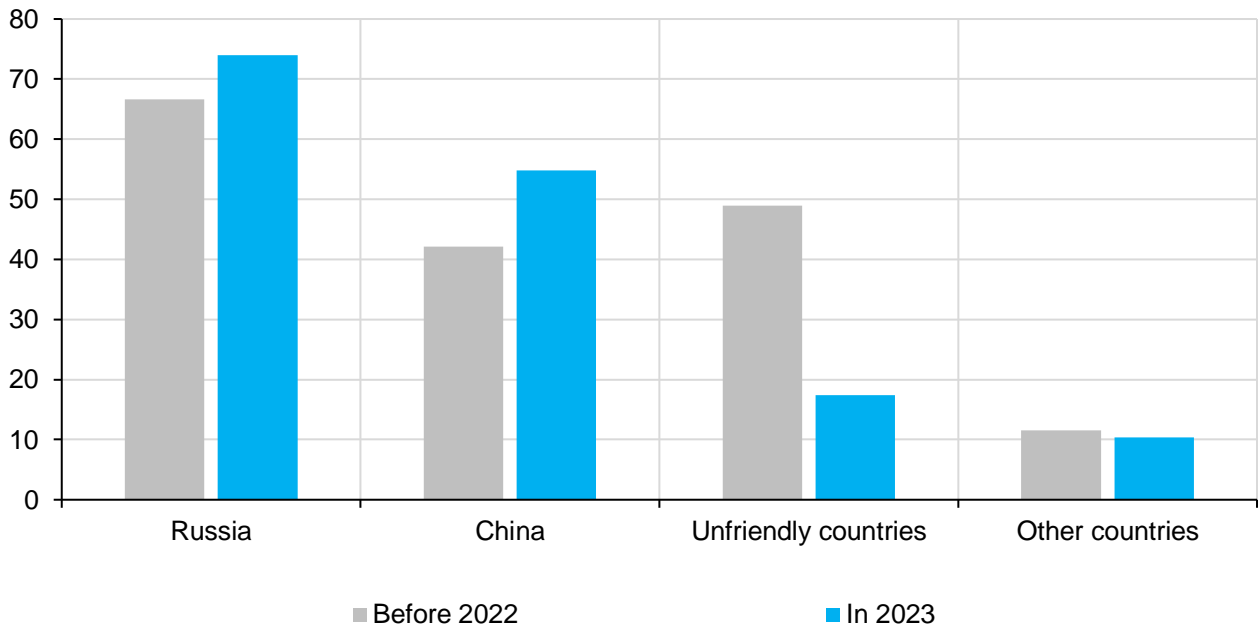
Note. The chart shows data on Russia excluding new regions.
Sources: Bank of Russia’s monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-4. Bank of Russia’s survey ‘Did your production capacity expand in 2023? What is the degree of wear and tear on your company’s production facilities?’ (%)



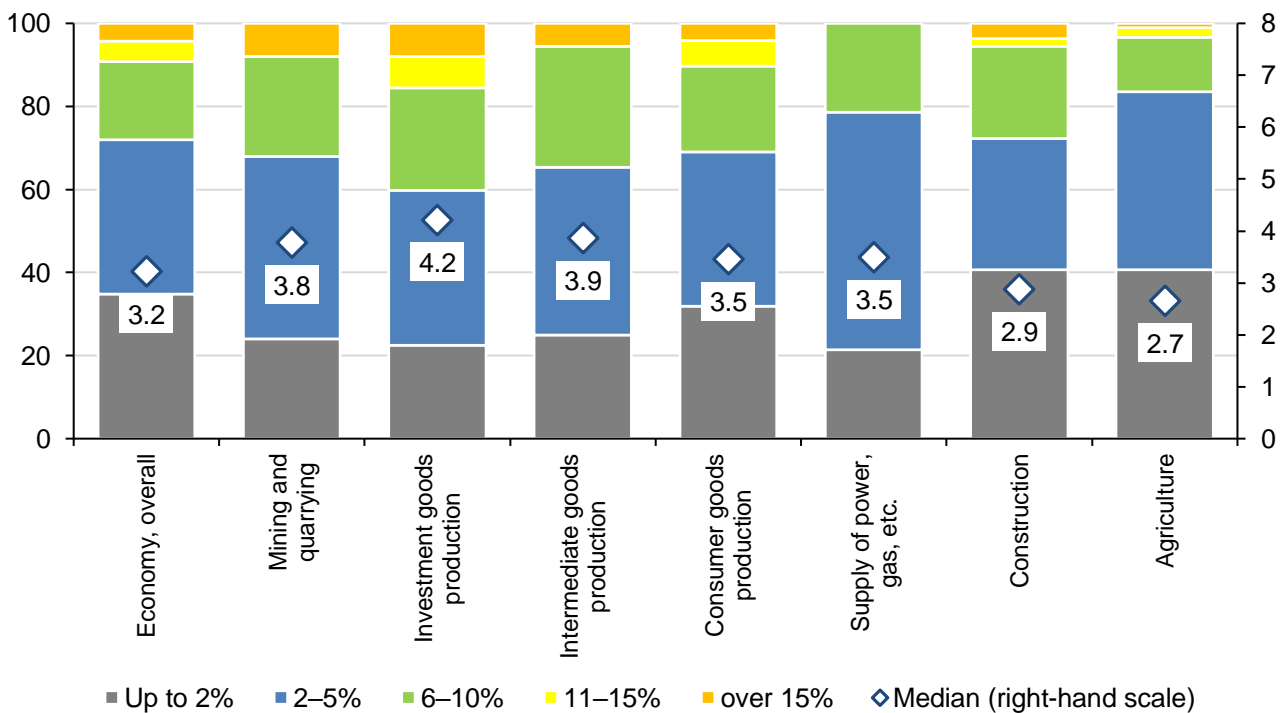
Note. The chart shows data on Russia excluding new regions.
Sources: Bank of Russia’s monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-5. Bank of Russia’s survey ‘Where was the new equipment installed by your company made?’, % (of companies that installed new equipment)



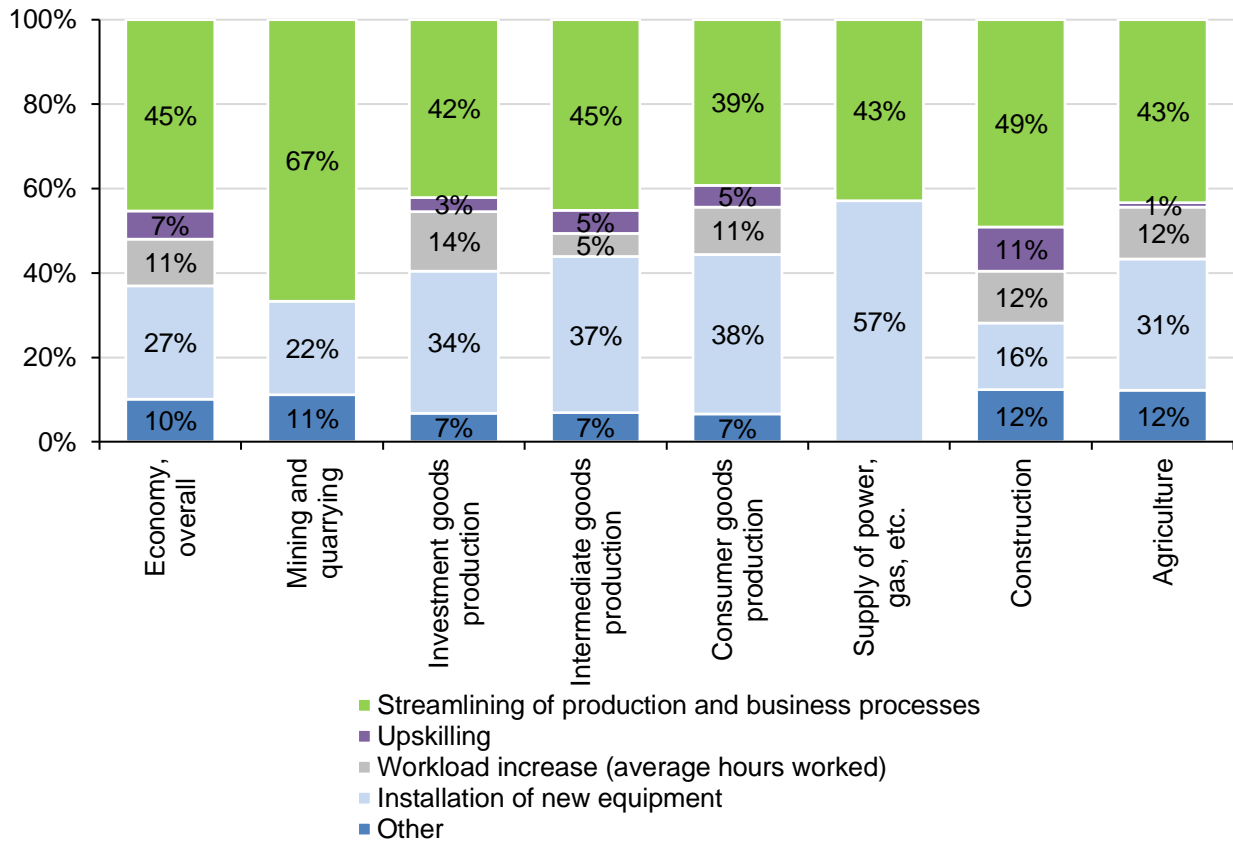
Note. The chart shows data on Russia excluding new regions.
 Sources: Bank of Russia’s monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-6. Bank of Russia’s survey ‘How much will labour productivity rise in 2024 (output per employee)?’ (%)



Note. The chart shows data on Russia excluding new regions.
 Sources: Bank of Russia’s monitoring of businesses, calculations by Bank of Russia MBs.

Chart B-2-7. Bank of Russia's survey 'What will be the key driver of your company's productivity in 2024?'



Note. The chart shows data on Russia excluding new regions.

Sources: Bank of Russia's monitoring of businesses, calculations by Bank of Russia MBs.

BOX 3

INDUSTRY FOCUS. CAR MARKET

The Russian car market continued to adapt to the new environment. The situation in the sector was gradually improving. Output recovered partially. Sales returned to the 2021 Q4 level in early 2024. Growth in Russia's car manufacturing was mainly driven by the output of domestic brands. 2023 saw a revival of production at facilities of most foreign companies that had left Russia. Moreover, companies continued to set up supplies of car components. The car supply generally expanded in the market due to both official imports of cars (primarily of Chinese brands) and parallel imports.

The Russian automobile sector continued to develop amid the structural transformation.⁴ In 2023, the market composition changed considerably. The share of imports increased. The car segment registered a significant expansion of Chinese presence in part owing to imports of finished cars, components, and the arrangement of contract semi-knocked-down assembly in Russia.

OUTPUT AND IMPORT

Car output rose by 19% in 2023 but remained noticeably below the 2021 Q4 level (Chart B-3-1). The rise was driven by the resumption of operations at most production sites vacated by foreign companies in 2022 as well as the partial solution of problems with supplies of car components and/or the localisation of their production. The car output continuously grew in both annualised and sequential terms (SA) in January 2024.

In 2023, some large car factories in Central Russia, the North-West, and the Far East resumed operations after staying idle following the exit from the Russian market of carmakers from unfriendly countries. Companies relaunched production to predominantly manufacture Chinese models. The revival of production facilities, which have not been in use since 2022, has not completed and is likely to last until 2027.⁵ For instance, two production sites have announced plans to resume output in the Moscow Region and St Petersburg.

In 2023, the main contributor to the recovery of Russia's car production was the output of domestic brands, which already exceeded the 2021 level. This was backed by the improved situation with components, as new partners had been found in Russia and Asia, and owing to the localisation of components production. Over 2023, domestic manufacturers were restoring model ranges and configurations of their cars. For instance, a large Volga-Vyatka-based auto group managed to not only restart the manufacturing of a commercially successful model but also re-equip its cars with an anti-lock braking system (ABS) and other components, as well as ensure their compliance with the Euro 5 standard. Nevertheless, there remained certain problems with components, especially related to the logistics of supplies, and their certification.

Growth in supply was primarily driven by rising imports. According to the Autostat analytic agency, imports of new cars increased 3.7 times (2022: -43%) to noticeably exceed the 2021 level.

⁴ The situation in the automobile industry was generally described in Box 1 in Regional Economy No. 21 (July 2023), the truck market – in the Industry Focus box in Regional Economy No. 23 (October 2023).

⁵ See details in Box 2 'Current condition and utilisation rate of production capacity in industrial and other sectors'.

The country composition of imports was changing dynamically: imports from Japan and Europe were substituted for supplies from China and other friendly countries. Importers managed to set up the logistics and maintenance of imported cars, and interest Russian consumers in buying new, primarily Chinese, brands.

In addition to official supplies, the car market was supported by the parallel import, which accounted for 12% of total sales in 2023 (2022: 11%). This channel was instrumental in meeting market demand, especially in the segment of crossovers and off-road cars. Asian and European brands, which had officially left the Russian market, accounted for the major portion of cars imported via this channel. The parallel import of cars may shrink over 2024 due to the toughening of import rules in April and the satisfaction of demand from buyers on the back of expanded supply of officially imported cars.

Further growth in Russia's car output will be associated with the development of domestic car industry and the expansion of contract assembly of brands from friendly countries on the domestic production sites. However, the expansion of contract assembly may be limited by the risk of secondary sanctions on foreign partners, strict requirements for the production localisation, and relatively small capacity of the Russian car market.

SALES

The Russian car market capacity continued to grow in 2024 to reach the level of 2021 year-end (Chart B-3-2). In January and February 2024, sales of new cars amounted to 184,000 vehicles (+82% YoY). The sales increased in sequential terms and even slightly exceeded the 2021 Q4 level (SA). This was driven by the recovery in consumer activity and the low base effect. The limiting factor is still high car prices partially fuelled by the rising recycling fee. Moreover, a revised methodology for calculating recycling fees on cars imported via EAEU member countries will come in effect on 1 April 2024. Cars imported via these countries may be customs cleared in any jurisdiction under the EAEU general rules now. After 1 April, both individuals and companies will have to pay higher recycling fees on cars imported via these countries. This will create a level playing field for car imports from EAEU and non-CIS countries. Therefore, in February and March 2024, there has been a spike in demand for EU and US cars imported via EAEU countries using the parallel import. Expected rises in prices for new imported cars will be reflected in official statistics only in part, as it is the Chinese brands that have been dominating in this group of goods since April 2022. The share of the parallel import may drop.

Between January and February 2024, a major domestic car manufacturer accounted for the largest portion of car sales. Its market share was close to 30%. Chinese brands also continued their expansion into the Russian market.

However, there are some difficulties with the maintenance of imported vehicles. Car dealers face a shortage of spare parts, while car service centres have difficulties with ordering spare parts, as Chinese car manufacturers tend to issue spare parts catalogues only in Chinese, if any. Official dealers of Chinese brands have less problems with the maintenance but have to address logistics issues.

Demand may rise further, driven by growth in household income and car lending, the expansion of state support (subsidised car loans, leasing and public procurement), and as long as the car maintenance problem is solved.

PRICES

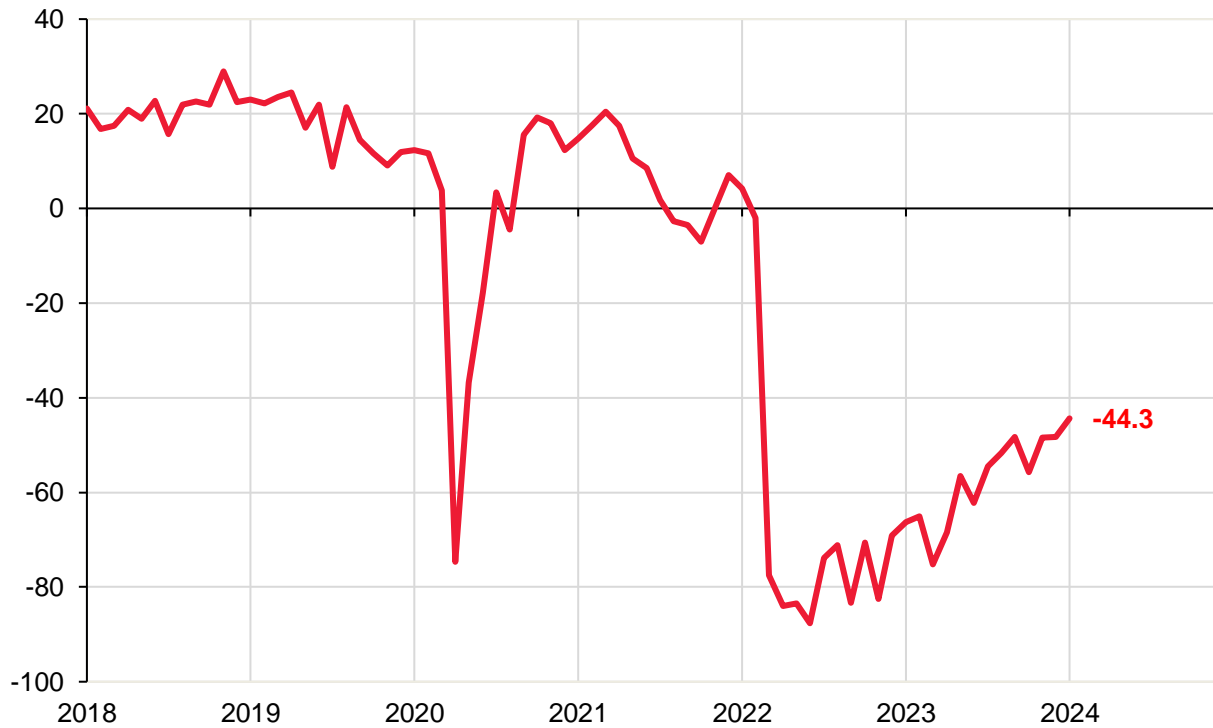
Over January 2024, consumer prices for new cars went up by 12% in annualised terms, with domestic car prices rising by 18% in annualised terms (Chart B-3-3). The key reason was strong demand coupled with increasing costs in part as a result of the continuous dependence of Russian carmakers on foreign components. Moreover, the sector was still suffering from shortages of workers, especially skilled staff.

Prices for new foreign cars rose to a lesser extent (+4.4% YoY). Growth in prices for foreign cars was curbed by the stronger ruble in late 2023 and large warehouse stocks of cars, predominantly Chinese.

Big inventories of cars moderate rise in prices for them. According to large car dealers, warehouses in Moscow and the Moscow Region accumulated around 200,000 cars as of early 2024. The same number of cars are being transported from supplier countries. This is comparable with sales of new cars in the Russian market over a few months. Furthermore, in 2024, Chinese carmakers plan to increase imports to and output in Russia.

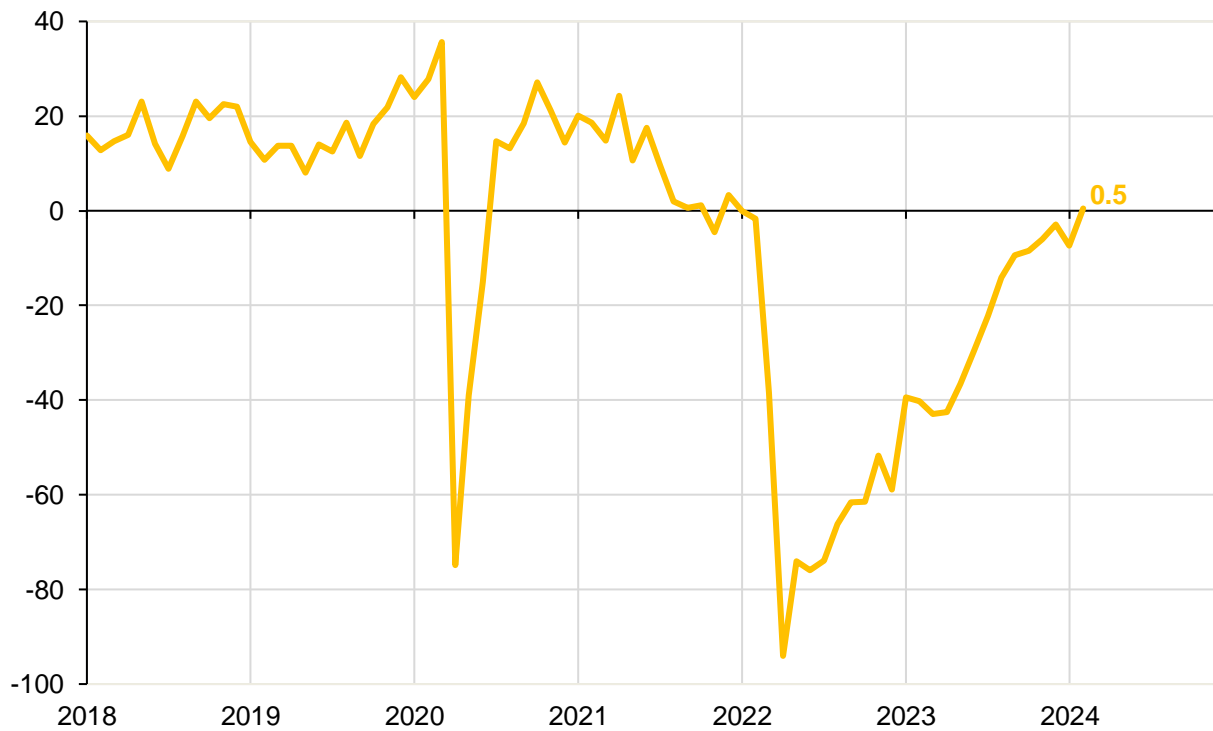
The Russian car market is gaining equilibrium, with a new composition of supply being developed. In 2023, consumer demand generally recovered after plummeting in 2022. Supply of domestic and foreign, primarily Chinese, cars expanded. The accumulated stocks of cars as of early 2024 and the anticipated increase in car imports to and output in Russia prevent car prices from rising. Nevertheless, the dependence on foreign components and labour shortages continue to push up prices.

Chart B-3-1. Output of cars, % on 2021 Q4 (SA)



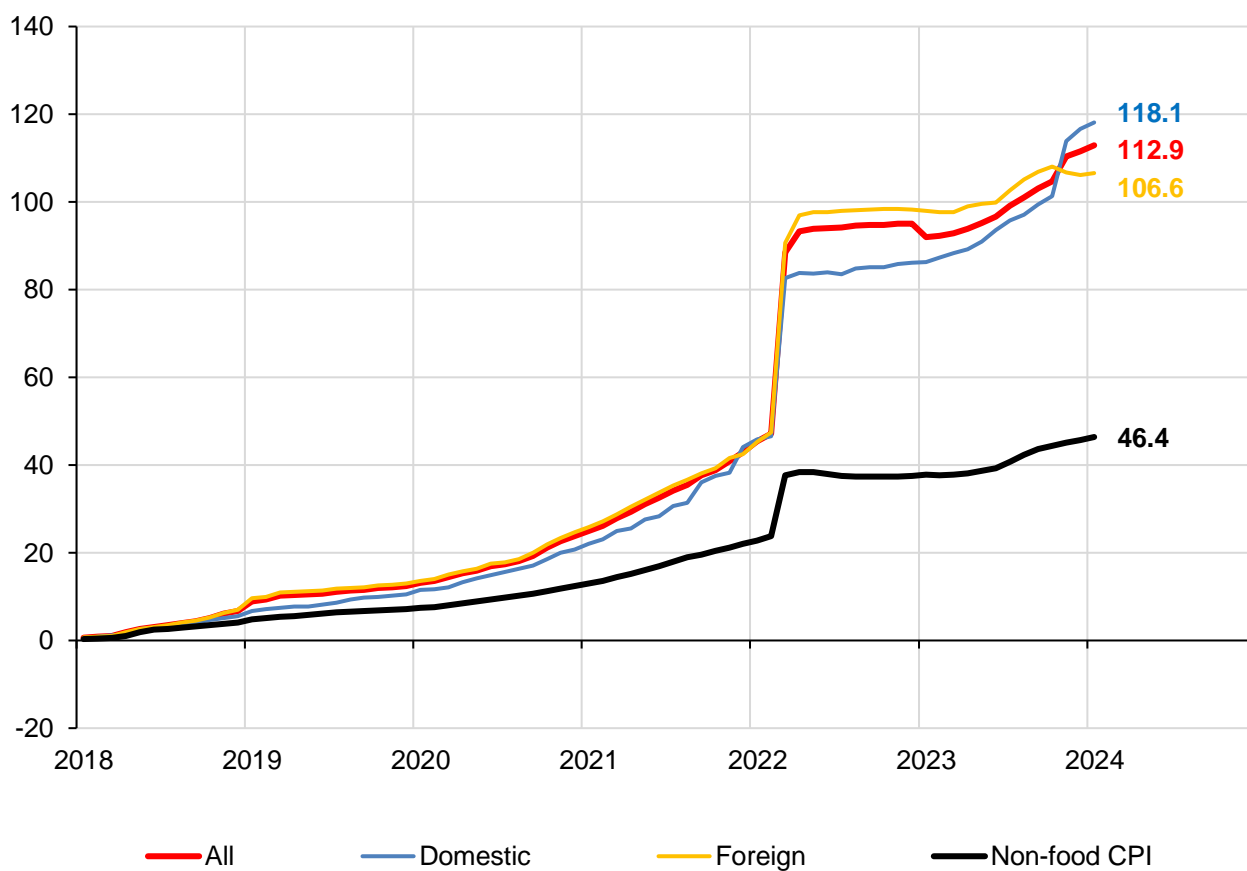
Sources: Rosstat, Bank of Russia calculations.

Chart B-3-2. Sales of new cars, % on 2021 Q4 (SA)



Sources: Autostat, Bank of Russia calculations.

Chart B-3-3. Consumer prices for cars, % on December 2017 (SA)



Sources: Rosstat, Bank of Russia calculations.

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ANNEX.

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.9	7.4	11.9	3.5	3.3	6.0	7.4	7.4	7.4	
Core inflation	% YoY	14.3	6.8	14.3	3.7	2.4	4.6	6.8	6.8	7.2	
Industrial production	3MMA, % YoY	0.7	3.5	-1.3	-1.3	5.7	5.4	4.1	4.1	3.9	
Fixed capital investment	Cumulative, % YoY	6.7	9.8	6.7	0.7	7.6	10.0	9.8			
Construction	3MMA, % YoY	7.5	7.9	10.2	10.0	9.1	7.5	6.6	6.6	7.5	
Housing commissioning	3MMA, % YoY	11.0	7.5	-21.4	-1.2	-0.6	4.1	30.3	30.3	35.2	
Retail	3MMA, % YoY	-6.5	6.4	-9.6	-7.0	9.4	11.3	11.1	11.1	10.0	
Commercial services	3MMA, % YoY	5.0	4.4	3.0	2.8	5.0	4.9	5.0	5.0	5.2	
Real wages	3MMA, % YoY	0.3	7.8	0.4	1.6	11.4	8.6	8.5	8.5		
Real disposable income	% YoY	-0.6	4.6	1.1	2.0	5.0	3.7	6.8			
Unemployment	% SA	3.9		3.7	3.5	3.2	3.0	2.9	2.9	2.9	
Outstanding consumer loans	% YoY	2.5	16.3	2.5	4.9	12.4	16.9	16.3	16.3	17.6	
Outstanding mortgage loans	% YoY	17.7	30.1	17.7	16.0	23.5	29.1	30.1	30.1	29.1	
Funds in escrow accounts	% YoY	32.7	38.4	32.7	11.8	15.0	30.0	38.4	38.4	42.8	
Non-financial organisations' outstanding bank loans	% YoY	19.7	24.6	19.7	19.4	23.9	26.1	24.6	24.6		
• Large borrowers	% YoY	17.6	23.6	17.6	17.7	21.9	24.9	23.6	23.6		
• SMEs	% YoY	29.9	28.9	29.9	27.6	32.1	31.1	28.9	28.9		
Companies' price expectations	Balance of responses, SA	21.7	19.4	17.6	16.8	16.4	21.4	23.0	22.5	21.9	19.4
Business Climate Index	SA, pp	-0.1	6.8	0.6	5.4	8.8	5.9	7.0	7.8	7.0	7.3
• Current estimates	SA, pp	-6.1	1.1	-6.0	-1.3	4.2	1.1	0.2	1.2	-0.5	-0.1
• Expectations	SA, pp	6.0	12.6	7.5	12.3	13.5	10.8	13.9	14.6	14.8	15.0

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Main Branch for the Central Federal District

Table 2

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Inflation	% YoY	12.5	7.4	12.5	4.2	3.6	6.1	7.4	7.4	7.3	
Core inflation	% YoY	14.9	7.0	14.9	4.3	2.9	4.8	7.0	7.0	7.2	
Industrial production	3MMA, % YoY	9.2	13.5	2.5	6.3	13.6	16.2	16.8	16.8	15.6	
Fixed capital investment	Cumulative, % YoY	1.9	3.6	1.9	-10.5	4.0	5.7	3.6			
Construction	3MMA, % YoY	7.8	9.0	10.1	9.7	9.6	7.4	9.6	9.6	10.8	
Housing commissioning	3MMA, % YoY	12.6	0.3	-21.8	-11.4	-9.7	-7.2	35.9	35.9	31.4	
Retail	3MMA, % YoY	-10.5	6.1	-14.9	-11.6	9.7	13.1	14.2	14.2	12.4	
Commercial services	3MMA, % YoY	7.3	6.5	5.2	2.1	7.8	7.1	8.6	8.6	9.3	
Real wages	3MMA, % YoY	-0.9	6.7	-2.0	-2.3	10.2	8.0	10.0	10.0		
Real disposable income	% YoY	-2.2	6.6	-2.1	2.1	7.9	7.3	8.0			
Unemployment	% SA	3.0		2.9	2.8	2.5	2.4	2.3	2.3	2.2	
Outstanding consumer loans	% YoY	2.7	16.0	2.7	4.7	11.9	16.5	16.0	16.0	18.2	
Outstanding mortgage loans	% YoY	16.9	25.0	16.9	14.8	20.3	24.0	25.0	25.0	23.3	
Funds in escrow accounts	% YoY	39.6	24.9	39.6	16.1	15.7	25.5	24.9	24.9	29.9	
Non-financial organisations' outstanding bank loans	% YoY	15.6	24.5	15.6	18.3	23.1	24.5	24.5	24.5		
• Large borrowers	% YoY	13.2	24.2	13.2	16.2	20.8	23.9	24.2	24.2		
• SMEs	% YoY	30.1	26.2	30.1	30.1	34.7	27.2	26.2	26.2		
Companies' price expectations	Balance of responses, SA	28.3	25.7	22.2	19.9	22.3	29.2	31.4	29.2	27.4	24.1
Business Climate Index	SA, pp	0.2	6.7	2.3	5.9	5.6	5.5	9.8	11.4	9.1	10.5
• Current estimates	SA, pp	-6.3	0.5	-5.3	-0.2	0.0	-0.4	2.6	5.6	1.5	5.3
• Expectations	SA, pp	6.9	13.0	10.3	12.1	11.3	11.4	17.2	17.3	17.0	15.9

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. North-Western Main Branch

Table 3

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Inflation	% YoY	11.9	7.1	11.9	3.3	3.6	5.9	7.1	7.1	7.0	
Core inflation	% YoY	14.7	6.4	14.7	3.8	2.7	4.3	6.4	6.4	6.9	
Industrial production	3MMA, % YoY	0.5	4.3	1.0	-0.4	6.4	7.0	5.6	5.6	6.1	
Fixed capital investment	Cumulative, % YoY	-2.2	4.3	-2.2	4.5	3.2	7.7	4.3			
Construction	3MMA, % YoY	-3.6	2.1	-2.5	-0.4	-3.0	8.2	1.7	1.7	-1.1	
Housing commissioning	3MMA, % YoY	8.4	1.7	-8.6	-10.1	-6.1	15.7	12.2	12.2	22.6	
Retail	3MMA, % YoY	-6.3	7.3	-10.3	-8.6	10.8	13.6	14.1	14.1	11.6	
Commercial services	3MMA, % YoY	4.8	3.0	4.3	3.8	2.2	3.8	2.3	2.3	3.4	
Real wages	3MMA, % YoY	0.4	6.5	0.7	0.6	10.3	7.5	6.6	6.6		
Real disposable income	% YoY	-1.3	4.2	-0.1	1.1	5.6	5.5	4.2			
Unemployment	% SA	3.2		3.2	3.1	2.7	2.6	2.4	2.4	2.5	
Outstanding consumer loans	% YoY	1.7	13.5	1.7	3.8	10.9	14.9	13.5	13.5	14.4	
Outstanding mortgage loans	% YoY	15.3	23.0	15.3	12.7	18.0	21.8	23.0	23.0	22.4	
Funds in escrow accounts	% YoY	32.4	25.7	32.4	7.5	9.5	16.7	25.7	25.7	27.0	
Non-financial organisations' outstanding bank loans	% YoY	45.4	29.6	45.4	34.8	37.6	51.4	29.6	29.6		
• Large borrowers	% YoY	46.1	32.3	46.1	39.3	42.2	53.3	32.3	32.3		
• SMEs	% YoY	42.0	16.3	42.0	14.2	17.5	42.6	16.3	16.3		
Companies' price expectations	Balance of responses, SA	24.0	21.8	19.0	17.6	19.5	24.2	25.7	24.6	23.4	20.2
Business Climate Index	SA, pp	-4.5	2.9	-3.0	1.1	3.0	2.3	5.1	6.5	5.8	7.0
• Current estimates	SA, pp	-9.8	-2.7	-8.8	-5.1	-2.3	-2.2	-1.1	0.7	-0.7	0.1
• Expectations	SA, pp	1.0	8.6	2.9	7.6	8.5	7.0	11.5	12.5	12.4	14.0

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Volga-Vyatka Main Branch

Table 4

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	12.4	7.1	12.4	3.7	3.2	5.9	7.1	7.1	7.1	
Core inflation	% YoY	14.7	6.6	14.7	3.5	2.2	4.4	6.6	6.6	6.8	
Industrial production	3MMA, % YoY	3.0	7.7	2.3	1.4	10.8	10.3	7.9	7.9	7.6	
Fixed capital investment	Cumulative, % YoY	4.7	18.3	4.7	4.0	11.9	17.8	18.3			
Construction	3MMA, % YoY	12.0	13.7	5.1	9.9	31.4	12.4	3.6	3.6	0.6	
Housing commissioning	3MMA, % YoY	3.8	9.9	-31.5	14.5	9.1	-10.4	33.7	33.7	38.9	
Retail	3MMA, % YoY	-3.6	8.3	-3.7	-1.6	11.9	11.3	11.6	11.6	9.9	
Commercial services	3MMA, % YoY	3.6	4.0	1.3	3.9	3.8	4.5	3.6	3.6	3.8	
Real wages	3MMA, % YoY	0.8	10.9	0.9	4.8	14.0	11.9	10.9	10.9		
Real disposable income	% YoY	-0.5	8.1	1.9	4.9	10.0	9.3	7.4			
Unemployment	% SA	3.2		3.1	2.7	2.5	2.2	2.0	2.0	2.0	
Outstanding consumer loans	% YoY	1.2	17.8	1.2	4.2	12.1	17.3	17.8	17.8	18.8	
Outstanding mortgage loans	% YoY	15.4	32.1	15.4	13.8	22.6	30.6	32.1	32.1	31.6	
Funds in escrow accounts	% YoY	11.6	47.9	11.6	-7.3	1.3	26.5	47.9	47.9	55.7	
Non-financial organisations' outstanding bank loans	% YoY	11.0	18.3	11.0	8.4	14.2	15.1	18.3	18.3		
• Large borrowers	% YoY	8.0	12.2	8.0	4.9	9.5	8.8	12.2	12.2		
• SMEs	% YoY	18.8	32.5	18.8	17.4	24.8	29.8	32.5	32.5		
Companies' price expectations	Balance of responses, SA	28.6	26.2	22.4	20.9	23.4	30.6	30.0	28.6	25.2	25.9
Business Climate Index	SA, pp	0.9	9.2	2.4	8.2	11.0	7.7	10.1	11.4	9.4	9.3
• Current estimates	SA, pp	-6.6	2.3	-5.1	-0.2	5.2	1.9	2.5	3.2	1.5	1.2
• Expectations	SA, pp	8.8	16.3	10.1	16.8	16.9	13.7	17.9	20.0	17.6	17.8

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Southern Main Branch

Table 5

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		Q4	Q1	Q1	Q2	Q3	Q4	Q4			
Inflation	% YoY	11.7	7.8	11.7	4.0	3.6	6.7	7.8	7.8	7.7	
Core inflation	% YoY	14.4	6.8	14.4	5.0	2.7	4.9	6.8	6.8	7.0	
Industrial production	3MMA, % YoY	5.3	2.7	11.0	-0.9	6.3	7.6	-1.7	-1.7	-1.7	
Fixed capital investment	Cumulative, % YoY	8.7	8.1	8.7	23.3	21.3	16.3	8.1			
Construction	3MMA, % YoY	6.9	4.1	6.4	41.1	8.4	-2.0	-7.3	-7.3	-8.3	
Housing commissioning	3MMA, % YoY	18.0	11.3	-20.2	-3.3	-11.1	23.1	40.3	40.3	46.8	
Retail	3MMA, % YoY	-2.4	7.3	-2.9	-0.2	11.6	9.6	7.9	7.9	7.3	
Commercial services	3MMA, % YoY	5.4	2.9	1.8	2.8	3.4	2.7	2.8	2.8	2.6	
Real wages	3MMA, % YoY	-0.9	7.1	0.8	4.8	10.5	6.9	6.1	6.1		
Real disposable income	% YoY	-0.3	6.8	4.0	7.1	8.4	6.8	5.3			
Unemployment	% SA	6.4		6.1	5.7	5.3	5.2	5.2	5.2	5.1	
Outstanding consumer loans	% YoY	3.1	19.8	3.1	5.8	13.7	18.9	19.8	19.8	20.9	
Outstanding mortgage loans	% YoY	24.9	43.4	24.9	25.1	35.4	43.2	43.4	43.4	42.4	
Funds in escrow accounts	% YoY	25.1	105.7	25.1	18.8	42.2	71.3	105.7	105.7	111.2	
Non-financial organisations' outstanding bank loans	% YoY	27.2	21.0	27.2	28.1	31.1	18.5	21.0	21.0		
• Large borrowers	% YoY	22.6	8.5	22.6	23.0	24.9	7.5	8.5	8.5		
• SMEs	% YoY	38.1	46.8	38.1	39.6	43.3	43.0	46.8	46.8		
Companies' price expectations	Balance of responses, SA	21.5	19.2	18.0	15.8	16.3	22.9	21.7	22.0	18.8	17.1
Business Climate Index	SA, pp	1.4	6.4	3.7	6.0	7.2	5.5	7.0	7.0	9.0	7.3
• Current estimates	SA, pp	-4.8	0.1	-3.5	-0.6	2.1	-0.6	-0.3	-1.3	-0.9	-2.9
• Expectations	SA, pp	7.8	12.9	11.1	12.9	12.4	11.9	14.5	15.7	19.4	18.0

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Ural Main Branch

Table 6

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	11.0	6.7	11.0	2.2	2.2	5.0	6.7	6.7	7.0	
Core inflation	% YoY	12.4	6.0	12.4	1.5	1.0	3.2	6.0	6.0	6.6	
Industrial production	3MMA, % YoY	0.0	1.9	-1.1	-1.5	4.3	2.0	1.9	1.9	1.2	
Fixed capital investment	Cumulative, % YoY	10.0	5.0	10.0	-7.7	1.3	4.1	5.0			
Construction	3MMA, % YoY	-0.5	5.6	-0.2	3.3	5.7	4.7	7.6	7.6	9.4	
Housing commissioning	3MMA, % YoY	11.2	9.3	-13.2	3.6	13.4	9.6	11.7	11.7	24.2	
Retail	3MMA, % YoY	-5.1	8.7	-5.6	-1.3	12.8	13.6	9.2	9.2	9.1	
Commercial services	3MMA, % YoY	2.7	3.6	-0.3	3.1	4.4	4.0	2.8	2.8	2.6	
Real wages	3MMA, % YoY	1.4	9.6	4.1	5.8	13.9	9.5	7.8	7.8		
Real disposable income	% YoY	-0.5	7.7	1.2	6.9	10.8	8.4	5.1			
Unemployment	% SA	3.3		3.0	2.8	2.5	2.4	2.3	2.3	2.2	
Outstanding consumer loans	% YoY	1.6	16.4	1.6	4.3	12.1	17.1	16.4	16.4	17.5	
Outstanding mortgage loans	% YoY	16.5	32.6	16.5	15.6	24.8	31.8	32.6	32.6	31.8	
Funds in escrow accounts	% YoY	21.9	69.3	21.9	3.4	11.1	37.8	69.3	69.3	73.7	
Non-financial organisations' outstanding bank loans	% YoY	17.4	19.0	17.4	13.1	18.4	18.8	19.0	19.0		
• Large borrowers	% YoY	16.0	14.2	16.0	8.9	14.4	14.3	14.2	14.2		
• SMEs	% YoY	25.9	44.6	25.9	38.3	39.0	42.2	44.6	44.6		
Companies' price expectations	Balance of responses, SA	24.2	19.4	18.1	16.1	16.6	21.6	23.2	21.7	24.6	20.5
Business Climate Index	SA, pp	1.8	9.9	4.5	9.1	10.1	9.9	10.4	12.5	12.9	12.3
• Current estimates	SA, pp	-4.3	4.8	-2.5	2.0	6.1	6.2	5.0	7.9	6.6	9.0
• Expectations	SA, pp	8.2	15.1	11.8	16.5	14.2	13.7	16.0	17.2	19.4	15.7

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Siberian Main Branch

Table 7

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
				Q4	Q1	Q2	Q3	Q4			
Inflation	% YoY	12.7	8.2	12.7	3.4	3.2	6.6	8.2	8.2	8.4	
Core inflation	% YoY	14.2	7.6	14.2	2.6	1.8	4.7	7.6	7.6	7.9	
Industrial production	3MMA, % YoY	1.2	-1.4	-0.4	-2.0	0.5	-2.5	-1.7	-1.7	-0.5	
Fixed capital investment	Cumulative, % YoY	8.1	5.3	8.1	7.9	7.9	12.0	5.3			
Construction	3MMA, % YoY	18.5	-6.2	22.0	2.5	-8.7	-0.2	-13.3	-13.3	-9.1	
Housing commissioning	3MMA, % YoY	3.5	22.4	-39.7	12.0	29.5	3.0	54.5	54.5	53.7	
Retail	3MMA, % YoY	-2.7	7.2	-5.5	-3.4	10.7	11.9	8.9	8.9	8.5	
Commercial services	3MMA, % YoY	5.5	3.7	4.4	3.7	5.1	4.0	2.3	2.3	2.0	
Real wages	3MMA, % YoY	1.9	8.7	2.4	4.4	12.7	8.5	7.3	7.3		
Real disposable income	% YoY	-0.6	7.0	1.0	5.8	11.4	9.0	2.6			
Unemployment	% SA	4.8		4.3	3.9	3.8	3.6	3.2	3.2	3.2	
Outstanding consumer loans	% YoY	3.7	15.5	3.7	6.2	13.8	17.4	15.5	15.5	16.4	
Outstanding mortgage loans	% YoY	17.3	33.0	17.3	16.2	25.5	32.3	33.0	33.0	32.4	
Funds in escrow accounts	% YoY	25.0	67.9	25.0	13.6	17.6	52.9	67.9	67.9	67.9	
Non-financial organisations' outstanding bank loans	% YoY	17.0	29.7	17.0	10.9	13.5	24.7	29.7	29.7		
• Large borrowers	% YoY	11.8	34.6	11.8	5.3	5.2	25.8	34.6	34.6		
• SMEs	% YoY	33.8	16.7	33.8	29.5	35.1	21.6	16.7	16.7		
Companies' price expectations	Balance of responses, SA	25.0	23.6	18.4	18.9	19.5	27.1	28.9	27.2	27.0	21.5
Business Climate Index	SA, pp	2.3	10.3	3.7	9.2	13.2	8.7	10.2	11.0	9.9	10.6
• Current estimates	SA, pp	-5.7	3.0	-5.7	1.2	6.1	2.2	2.5	3.4	0.9	2.4
• Expectations	SA, pp	10.8	17.9	13.6	17.6	20.6	15.5	18.1	18.8	19.3	19.2

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.

Core indicators. Far Eastern Main Branch

Table 8

		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		2022	2023	2022	2023	2023	2023	2023	Dec	Jan	Feb
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Inflation	% YoY	11.9	8.0	11.9	5.2	4.0	7.1	8.0	8.0	7.9	
Core inflation	% YoY	14.0	8.3	14.0	5.5	3.7	6.5	8.3	8.3	8.4	
Industrial production	3MMA, % YoY	-4.2	3.2	-3.9	-4.2	5.8	12.4	5.7	5.7	5.8	
Fixed capital investment	Cumulative, % YoY	14.5	19.5	14.5	25.4	23.6	27.9	19.5			
Construction	3MMA, % YoY	12.6	22.0	25.8	12.5	26.0	37.0	12.7	12.7	8.4	
Housing commissioning	3MMA, % YoY	13.7	21.4	-6.6	45.1	25.4	10.3	14.2	14.2	40.5	
Retail	3MMA, % YoY	-0.6	4.3	-2.8	-2.7	4.5	6.7	8.2	8.2	7.3	
Commercial services	3MMA, % YoY	-0.9	0.4	-0.3	-2.3	2.3	0.9	0.8	0.8	2.0	
Real wages	3MMA, % YoY	0.1	5.2	-1.6	1.5	6.2	6.0	5.3	5.3		
Real disposable income	% YoY	-0.5	4.0	0.2	3.2	5.5	6.6	1.7			
Unemployment	% SA	3.9		3.4	3.1	3.0	2.9	2.9	2.9	2.9	
Outstanding consumer loans	% YoY	3.7	12.5	3.7	6.4	12.7	15.5	12.5	12.5	13.4	
Outstanding mortgage loans	% YoY	23.3	32.8	23.3	20.2	27.0	31.4	32.8	32.8	32.3	
Funds in escrow accounts	% YoY	34.0	46.0	34.0	12.9	14.2	28.1	46.0	46.0	44.8	
Non-financial organisations' outstanding bank loans	% YoY	18.9	32.3	18.9	27.3	29.8	30.6	32.3	32.3		
• Large borrowers	% YoY	21.0	33.7	21.0	33.0	34.6	35.8	33.7	33.7		
• SMEs	% YoY	11.0	26.3	11.0	7.6	15.0	11.1	26.3	26.3		
Companies' price expectations	Balance of responses, SA	21.0	18.8	16.3	17.0	16.2	20.4	21.7	21.1	18.6	16.6
Business Climate Index	SA, pp	1.7	7.4	2.5	6.0	8.6	7.3	7.8	8.5	7.5	6.7
• Current estimates	SA, pp	-4.3	0.7	-4.7	-1.8	3.5	0.6	0.4	1.4	1.5	0.8
• Expectations	SA, pp	8.0	14.4	9.9	14.0	13.8	14.2	15.6	15.8	13.8	12.8

Sources: Bank of Russia's monitoring of businesses, Rosstat, calculations by Bank of Russia MBs.