



Bank of Russia



December 2024

# MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

17 January 2025

## MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (DECEMBER 2024)

Monetary conditions continued to tighten in November–December (Chart 1). Driven by autonomous factors related to the planned normalisation of regulatory requirements applicable to banks, credit and deposit market rates demonstrated a more substantial increase in November and the first half of December than the key rate in October. Following the Board of Directors’ decision to keep the key rate unchanged in the second half of December, money market rates and the yield curve of federal government bonds (OFZ) went down, while credit and deposit rates stabilised at high levels, according to recent data. Additional increase in inflation expectations slightly reduced the scale of monetary tightening. Starting from November, however, there has been a slowdown in corporate lending and a continuation of that in retail lending against the backdrop of rising rates and banks’ transition to a more moderate lending policy. The annual growth rate of monetary aggregates was also down.

### MONETARY POLICY TRANSMISSION

*The monetary policy transmission mechanism (or monetary policy transmission) is a sequence of links in the economy through which monetary policy affects demand and, accordingly, inflation. This mechanism is based on interest rates and yields in the key market segments, influencing each other (the key rate has a direct effect on short-term money market rates; short-term rates influence long-term rates and OFZ yields; OFZ yields have an impact on corporate bond yields; bond yields and long-term money market rates affect credit and deposit rates). Rates, in turn, influence the propensity to save, consume, and invest (the interest rate channel of the transmission mechanism), the ability of borrowers to provide high-quality collateral and that of banks – to expand lending (the credit and balance sheet channels), as well as the wealth of investors (the welfare channel), and the ruble exchange rate (the foreign exchange channel).<sup>1</sup>*

*Through any of these channels, higher market rates constrain demand and inflation, while lower ones stimulate them. In addition to monetary policy and demand, inflation and financial market trends are influenced by many other factors that are taken into account by the Bank of Russia when deciding on the key rate.*

*This material briefly describes monetary policy transmission and the conditions of its functioning.*

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<sup>1</sup> See Appendix 1 to the [Monetary Policy Guidelines for 2025–2027](#).

# INDIVIDUAL INDICATORS OF MONETARY TIGHTNESS AND THEIR CHANGES

INDIVIDUAL INDICATORS OF MONETARY TIGHTNESS AND THEIR CHANGES

Chart 1

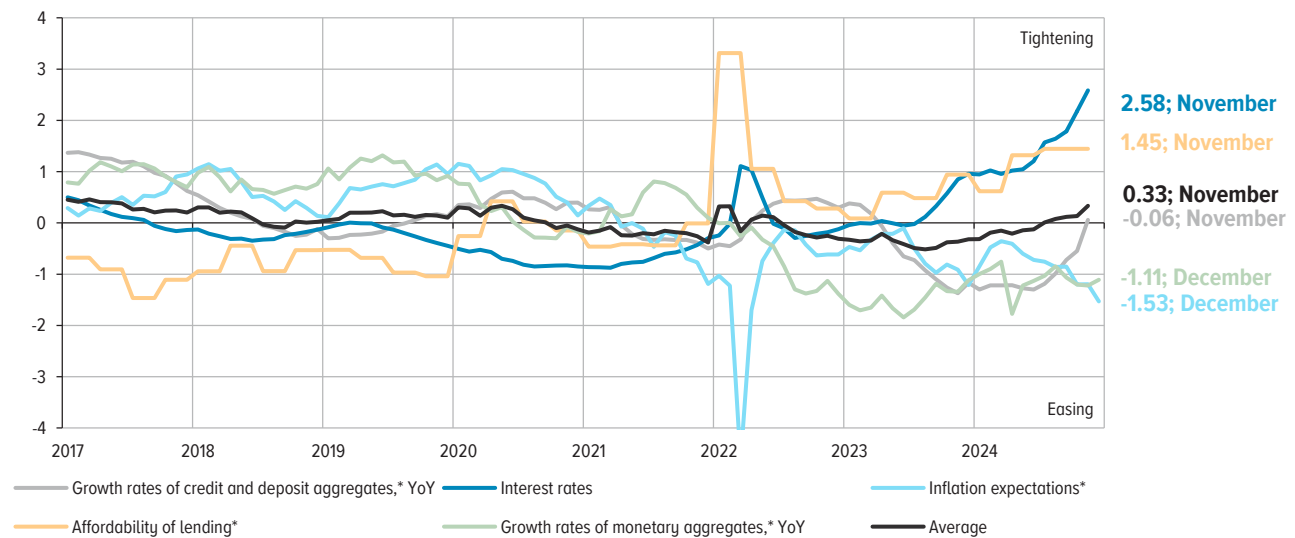


Note. The indicator panel represents one possible summary visualisation of key indicators to help assess the monetary conditions and their changes. It should not be considered a comprehensive presentation of all types of indicators relevant to assessing the nature of and changes in the monetary conditions. The chart shows the level of the indicator (z-score) relative to the distribution of values from January 2017 to November 2024 (left-hand chart) and to December 2024 (right-hand chart). The round marker denotes an indicator's level (in standard deviations) as of the previous date. A shift of the indicator to the left relative to the previous date indicates an easing of monetary conditions, a shift to the right – their tightening. The z-scores for high-frequency indicators (OFZ yields, money market rates, the exchange rate, the spread between CORP and OFZ yields, etc.) were calculated based on the averages for the relevant month. The z-score for the spread between RUONIA and the key rate was taken out of the calculation of the overall average indicator due to high volatility. \* The indicators were used to calculate the inverse z-score.

Source: Bank of Russia calculations.

## HISTORICAL DYNAMICS OF INDIVIDUAL INDICATORS OF MONETARY TIGHTNESS

Chart 2



\* The indicators were used to calculate the inverse z-score.  
Source: Bank of Russia calculations.

## Interest rates

- Monetary policy and the key rate.** On 20 December 2024, the Bank of Russia Board of Directors decided to keep the key rate at 21.00% per annum. In November–December, monetary conditions tightened more significantly than assumed in the October decision on the key rate. This was attributed to the factors that are not associated with monetary policy, namely the toughening of requirements for banks' capital and liquidity, the tightening of the regulator's macroprudential policy and of banks' requirements applicable to borrowers.

The decision of the Board of Directors came as a surprise to the market, as most analysts expected a 200 bp key rate rise to 23.00% per annum. The market expectations regarding the future key rate path have changed: the current structure of market rates implies that the level of 21.00% per annum might mark the peak of the cycle and that the key rate might start decreasing in 2025 H1.

- Banking sector liquidity and overnight rates (RUONIA).** The average spread between RUONIA and the key rate narrowed to +13 bp in December (November: -37 bp) (Chart 7). The spread volatility increased to 62 bp (November: 24 bp). In the December required reserves (RRs) averaging period<sup>1</sup> (AP), banks expected a considerable rise in the key rate. Therefore, they were ready to raise liquidity in the market at high rates before 20 December. On certain days, RUONIA was even higher than the upper bound of the Bank of Russia's interest rate corridor. Following the Board of Directors' key rate meeting, interest rates dropped and the spread became negative.

Over the December AP, the average liquidity balance was around zero. The Bank of Russia's forecast assumed a surplus in the range from ₺0.2 trillion to ₺1.0 trillion. The deviation is due to a smaller-than-expected inflow of budget funds in 2024. A part of the expenditures funded in late December was received by banks in early January. The main inflow of fiscal liquidity was associated with the conversion of the National Wealth Fund's (NWF) money to finance the expenditures beyond the fiscal rule and the investment of the NWF's money in eligible financial assets.

<sup>1</sup> From 11 December 2024 to 14 January 2025.

To reduce the volatility of financial markets, the Bank of Russia suspended operations to mirror fiscal rule-based foreign currency purchases by the Russian Ministry of Finance from 28 November until the end of 2024.<sup>2</sup> The postponed purchases will be made in 2025.<sup>3</sup>

There was a seasonal increase in the demand for cash in December, resulting in the liquidity outflow of ₺0.6 trillion. In 2024, the overall amount of cash in circulation was up by ₺0.2 trillion, which was very low by historical standards. The increase in RRs equalled ₺0.8 trillion in 2024 (Table 5).

In December, banks demonstrated greater demand at the Bank of Russia's repo auctions following the expansion of the OFZ issuance by the Russian Ministry of Finance. As soon as banks received funds from the budget and the Federal Treasury (FT) deposited a part of its resources with banks, their demand at the Bank of Russia's repo auctions declined. As the budget funds received are being distributed across the banking sector, the Bank of Russia plans to gradually reduce the amount of funds to be provided at each auction starting from February 2025.

The revised liquidity balance forecast for 2025 will factor in the updated macroeconomic assumptions contained in the commentary on the medium-term forecast, dated 26 February.<sup>4</sup>

### LCR impact on short-term borrowing cost

The phasing-out of the LCR easing from March 2024 strengthened banks' competition for funds of households and legal entities (including government authorities). Banks were ready to raise these funds at higher rates. The Bank of Russia's standing lending facilities became another means of improving the LCR compliance. As a result, the average borrowing cost for banks went up, serving as an additional autonomous factor of monetary tightening.

Seeking to build up liabilities to improve their liquidity ratios, banks raised interest rates on corporate deposits. They were ready to offer large corporate clients a premium of 2–3 pp to the key rate and more on deposits, while previously this premium did not exceed 1 pp. In addition, the maturities of clients' deposits shortened because of the expectations of a further key rate increase.

To address this situation, the Bank of Russia provided banks with an opportunity to raise the limits of irrevocable credit lines (ICLs) in late November.<sup>1</sup> (ICLs are used in the LCR calculation and allow banks to cover a shortfall of highly liquid assets.) A number of SICIs took advantage of this opportunity. As a result, their demand for Bank of Russia loans decreased by mid-December and the level of interest rates for corporate borrowers stabilised (Chart 3).

In December, the structure of banks' demand for FT transactions somewhat changed. Following the cancellation of the LCR easing, banks started to raise less through repos secured by OFZ and more through long-term deposits.<sup>2</sup> However, most banks had exhausted their counterparty limits on FT deposits by the end of the year.

At the end of the year, the FT usually reduces the deposits of budget funds with banks to finance expenditures. However, in December 2024, the FT barely shortened the maturity of its transactions. Specifically, around a half of the liabilities related to FT deposits was raised by banks for a long term with maturities in 2025. This helped prevent the situation with banks' actual and regulatory liquidity from worsening due to the volatility of budget flows at the end of the year.

<sup>1</sup> See the press releases of the Bank of Russia, dated [14 November](#) and [16 December](#) 2024. The deadline for the SICIs' transition to independent compliance with the LCR was also delayed by six months: the level of 50% will remain effective until 1 July 2025.

<sup>2</sup> Repos secured by OFZ are almost neutral for the LCR, irrespective of a repo maturity (see Box 9 'The LCR impact on banks' transactions and the money market' of the [Monetary Policy Guidelines for 2025–2027](#)).

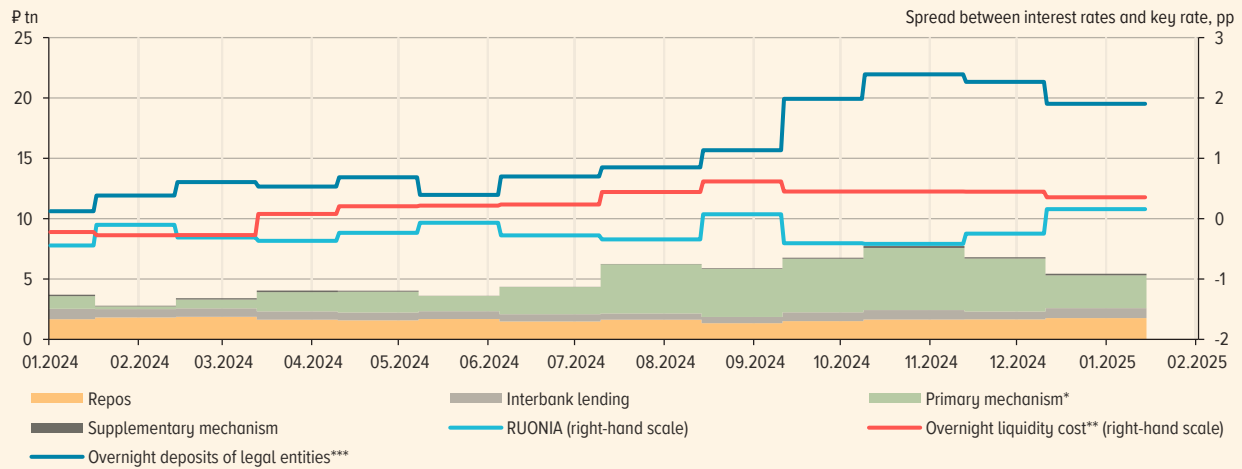
<sup>2</sup> See the [press release of the Bank of Russia, dated 27 November 2024](#).

<sup>3</sup> See the [press release of the Bank of Russia, dated 26 December 2024](#).

<sup>4</sup> See the [Commentary on the Medium-term Forecast](#).

VOLUME AND COST OF OVERNIGHT BORROWING (AVERAGE VALUE FOR AP)

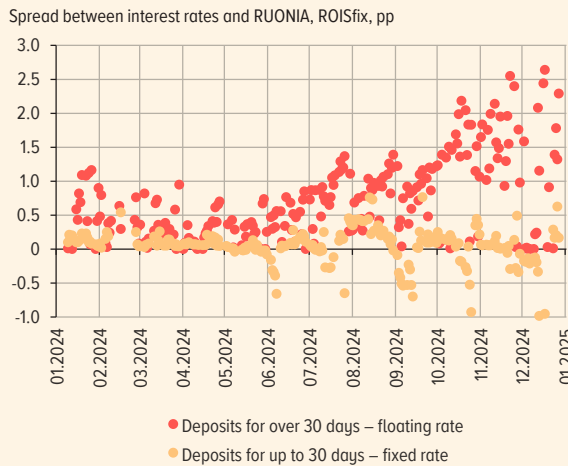
Chart 3



\* The standard mechanism for liquidity provision effective until 16 October 2023 was taken into account in primary mechanism operations.  
 \*\* The weighted average cost of overnight borrowing in the money market, taking into account the Bank of Russia's standing facilities.  
 \*\*\* Cost of borrowing from legal entities, adjusted for RRs. The sample only includes certain transactions of large legal entities where the parameters of a transaction are specified in the payment details.  
 Source: Bank of Russia calculations.

INTEREST RATES ON FT DEPOSITS (ADJUSTED FOR RR COSTS)

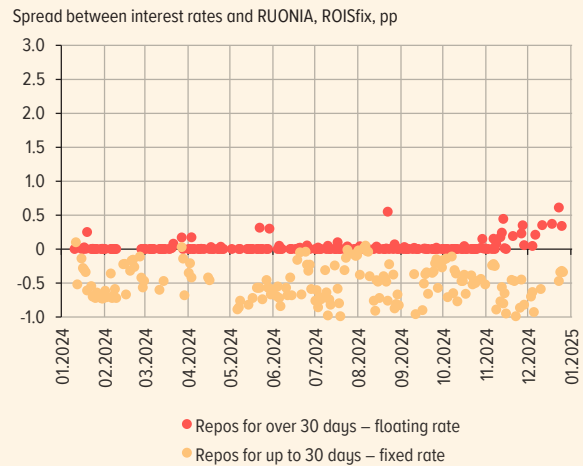
Chart 4



Source: Bank of Russia calculations.

INTEREST RATES ON FT REPOS

Chart 5



Source: Bank of Russia calculations.

- Money market.** In December, prior to the Board of Directors' meeting, the ROISfix curve continued shifting upwards for maturities of up to six months, reflecting the expectations of tighter monetary policy. However, following the Bank of Russia's decision to keep the key rate unchanged, the curve fell notably and lost 25–416 bp month-on-month (MoM) by the end of December. The most prominent changes were observed in the curve for maturities of over two months. Currently, market participants believe that the peak of the monetary policy tightening has been passed and expect the Bank of Russia to start cutting the key rate in 2025 H1.

## ROISFIX CURVE

Table 1

Maturity	1w	2w	1M	2M	3M	6M	1Y	2Y
28.12.2024	20.84	20.91	21.1	21.19	21.33	21.79	21.96	20.56
29.11.2024	21.09	21.15	21.66	22.72	23.3	25.08	25.95	24.72
Change, bp	-25	-24	-56	-153	-197	-329	-399	-416

Sources: Moscow Exchange, National Finance Association.

- Federal government bonds.** In December, before the Board of Directors' meeting, the dynamics of government bond yields were diverse. They were predominantly declining in the short- and long-term segments (0–55 bp) and rising in the medium-term segment (0–28 bp). From 20 December, OFZ yields dropped significantly across all maturities. The most notable decline in yields was observed in the short- and medium-term segments, as market participants revised their expectations regarding the key rate due to the fact that it had been kept unchanged. In December, breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) declined by 124 bp to the level comparable to the one observed in August–September 2022 (30 December: 5.63%), remaining considerably higher than the inflation target.

## OFZ ZERO COUPON YIELD CURVE

Table 2

Maturity	1Y	2Y	3Y	5Y	7Y	10Y
30.12.2024	18.58	18.06	17.48	16.53	15.87	15.22
29.11.2024	22.53	21.44	20.37	18.61	17.38	16.24
Change, bp	-393	-338	-289	-207	-150	-101
Average for December 2024	20.98	20.17	19.32	17.89	16.86	15.87
Average for November 2024	21.67	20.94	20.07	18.50	17.33	16.20
Change, bp	-69	-77	-75	-62	-47	-33

There was an increase in the secondary OFZ market liquidity. Daily average trades totalled ₹19.5 billion (November: ₹13.1 billion per day). The composition and behaviour of market participants did not change significantly as compared to November.

The key buyers were still retail investors (₹8.5 billion) and non-bank financial institutions, including as part of trust management (₹43.6 billion). In December, the largest net sellers were systemically important credit institutions (SICs) and banks that are not SICs (-₹34.3 billion and -₹23.2 billion, respectively).

The Russian Ministry of Finance held four auctions in December, mainly offering fixed-coupon federal government bonds (OFZ-PD). However, the major portion of funds was raised through two new issues (worth ₹1 trillion each) of variable-coupon federal government bonds (OFZ-PK) whose coupon income is determined based on the RUONIA Averages. Those were mostly purchased by banks. In December, total offerings equalled ₹1.9 trillion (funds raised in November amounted to ₹103 billion). As before, the OFZ-PD offered were mostly long- and medium-term bonds, which led to low liquidity in the short-term segment. At the December auctions, the yield on long-term securities reached 17.5%. When offering long-term OFZ-PD (with maturity of 14 years) during the last auction week of the year, the Russian Ministry of Finance provided the record premium to the secondary market yields (+29 bp). The

premium to the secondary market yields on other traditional securities remained moderate and ranged from +2 bp to +5 bp.

As a result of these auctions, the Russian Ministry of Finance fulfilled its updated annual borrowing programme, with gross borrowings equalling ₹4.4 trillion (2023: ₹2.8 trillion) and net borrowings amounting to ₹2.9 trillion (2023: ₹2.0 trillion) as of the end of the year.

- **Corporate bond market.** The decline in government bond yields translated into lower corporate bond yields. Having reached a historical high in November and the first half of December (28.25% as of 17 December), the IFX-Cbonds index dropped to 22.00% by the end of December (-336 bp MoM). The average monthly spread between this index and OFZ yields soared, reaching 412 bp (November: 243 bp) and remaining above the 2022–2024 average. In addition, due to monetary tightening and a higher risk premium, the average monthly spreads between the yields on securities with low and medium ratings and OFZ reached their new highs (B/ruB-: 1,514 bp, +205 bp MoM; BB/ruBBB: 1,133 bp, +368 bp MoM). The spread between blue-chip securities and OFZ was also up from 30 bp to 159 bp. Larger spreads between corporate bonds and OFZ could be partially attributed to a slower corporate bond market adjustment to the change in the expectations regarding the key rate path.

In the primary market, corporate borrowers raised 80% more funds in December than in the previous month (₹1.8 trillion in December 2024 vs ₹991 billion in November 2024), including issues of yuan-denominated securities and substitute bonds. By early 2024, the growth rate of the corporate bond portfolio was above the 2014–2021 median (November 2024: +23.0%; median: 16.0%) but lower year-on-year (YoY) (December 2023: 27.6%).

As of the end of December, the corporate bond market totalled ₹31.0 trillion (+22.9% YoY; December 2023: ₹25.2 trillion).

No substitute bonds were offered in December. According to Cbonds, yields on substitute bonds decreased to 11.00% as of the end of the month (-288 bp MoM). The spread between them and US Treasuries (UST) with similar maturities contracted by 305 bp as compared to November (December: 673 bp; November: 978 bp).

## Banks' interest rates on ruble loans and deposits

- **Deposit rates.** The expectations of another key rate increase at the December meeting of the Bank of Russia Board of Directors as well as the growing demand for household deposits from SICs in anticipation of the tightening of the liquidity coverage ratio (LCR) compliance requirements from 1 January 2025 led to the rise in retail deposit rates in November (Chart 12). This in turn contributed to the tightening of bank lending conditions (BLC) on account of internal funding. The interest rate on short-term deposits rose by 1.57 pp and that on long-term ones – by 1.47 pp. The December dynamics of the FRG100 index<sup>5</sup> also pointed to the continuing growth of deposit rates during the first twenty days of December (Chart 13). However, as a result of the six-month extension to the schedule of tightening the LCR compliance requirements and the Bank of Russia's decision to keep the key rate at 21.00%, banks slightly decreased deposit rates during the last week of the year, pushing the FRG100 index up by 0.2 pp (November: +1.1 pp).

<sup>5</sup> The average interest rate of the 80 largest deposit banks on deposits for up to one year in an amount of at least ₹100,000, according to the information agency Frank RG.



- **Corporate loan rates.** In November, interest rates on corporate loans<sup>6</sup> were changing unevenly. A 1.9 pp increase in interest rates on short-term loans was accompanied by a 0.1 pp drop in those on long-term ones. This may be largely attributed to the concentration of credit activity, which is less sensitive to key rate changes in the segment of long-term transactions. Nonetheless, the actual tightening of monetary policy can generally be expected to push up interest rates on market-based loans to non-financial organisations (Chart 12).
- **Retail loan rates.** The average interest rate on retail loans in the short-term segment rose by 1.83 pp and that in the long-term segment – by 0.11 pp. Nevertheless, interest rates on different kinds of retail credit products changed unevenly in November. The growth of car and consumer loan rates was accompanied by a decrease in the average interest rate on new mortgages. The latter could be due to the continuing process of ‘pushing out’ market-based mortgages. As a result, most transactions take place in the segment of subsidised mortgage lending programmes. In non-mortgage retail lending, the cost of consumer loans was rising faster than that of car loans. This occurs naturally when monetary and macroprudential policies are tight, as collateralised lending is less risky for banks, which is reflected in more moderate dynamics of the relevant component of the interest rate offered to borrowers (Chart 12).

## Growth rates of credit and deposit aggregates

- **Retail deposits.** The annual growth rate<sup>7</sup> of household ruble deposits with banks<sup>8</sup> reached 29.9% in November, which was slightly less than in October (30.7%) but still pointed to households’ high propensity to save (Chart 14). Almost the entire monthly growth was accounted for by deposits for up to one year (+5.2% MoM), the interest rates on which were being raised more actively by large banks, whereas deposits for over one year demonstrated close-to-zero dynamics. Individuals continued to transfer their savings held on ruble current accounts (-4.6% MoM) to short-term deposits. Foreign currency deposits remained another source for their replenishment: the November ruble depreciation along with higher ruble deposit rates made it more profitable to convert savings into rubles.
- **Corporate lending.** November saw a slowdown in the annual growth rates of corporate lending<sup>9</sup> to 20.3% from 21.8% in October (Chart 15), which could be due to the further BLC tightening encouraging banks to move towards more conservative lending policies, which was confirmed by the preliminary data of the BLC survey. As in the previous months, the growth of the loan portfolio was driven by companies increasing their ruble borrowings, primarily for over three years. Corporate lending was still supported by borrowings less sensitive to the key rate changes, which contained the overall decline in corporate credit activity. Yet another factor was a notable decrease in the contribution of loans with maturities from one to three years to the overall growth of the loan portfolio. These dynamics might be in part related to large offerings of corporate bonds, the proceeds from which could be partially used by companies for repaying bank loans. According to high-frequency data, December saw a downturn in the annual corporate lending growth, including due to a more pronounced seasonal rise in government expenditures, a part of which was used by budget-funded entities for repaying loans (first of all, short-term ones).

<sup>6</sup> Russian bank loans offered/issued to unaffiliated borrowers that are non-financial organisations at a fixed rate. See the [Methodological notes on tables in the Section ‘Loan and deposit interest rates and maturities’](#).

<sup>7</sup> Hereinafter, growth rates are given adjusted for foreign currency revaluation for credit institutions operating as of the latest reporting date, including earlier reorganised banks. The foreign currency component is converted into rubles at the exchange rate effective as of the beginning of the period under review. Growth rates in foreign currency are given in US dollar terms. Growth rates for retail loans are adjusted for securitisation transactions.

<sup>8</sup> Hereinafter, household funds with banks include balances in time deposits, call deposits and current accounts, but exclude escrow accounts under shared construction agreements.

<sup>9</sup> Hereinafter, growth in lending to non-financial organisations, financial institutions, and individual entrepreneurs.

- **Retail lending.** In November, retail lending continued slowing down for the fifth consecutive month: the annual growth rate of the portfolio (including securitisation transactions) was down to 16.7% from 18.8% in October (Chart 15). Against the background of rising market interest rates, the slowdown was observed in both secured and unsecured lending (Chart 16). The growth rate of the portfolio of unsecured loans to households, including securitisation transactions, was close to zero in November. The car lending market demonstrated a sharp slowdown in growth for the second month in a row. This was largely the result of the increase in the recycling fee from 1 October, which made demand shift to the previous period. Credit activity in the mortgage segment continued decelerating, shifting towards both the new housing market and a larger portion of non-market loans. According to high-frequency data, the cooling of the retail lending market continued, mainly due to a contraction in loans with maturities of over one year.

## Growth rates of monetary aggregates

- **Money supply.** The annual growth rates of money supply<sup>10</sup> in national definition (M2) and broad money (M2X), adjusted for foreign currency revaluation, changed diversely in November but remained high overall (M2 annual growth rate: 20.0% vs 19.5% in October; M2X annual growth rate: 15.7% vs 15.9% in October). The preliminary assessment, however, showed that the growth rates of these monetary aggregates were down in December (Chart 18).
- **Sources of money supply.** In November, claims<sup>11</sup> of the banking system on the economy remained the key source of money supply growth. Their annual growth rate equalled 17.6%, with claims on organisations continuing to grow faster than those on households. The increase in monetary aggregates was supported by the inflow of funds into the economy through the budget channel.
- **Components of money supply.** In November, ruble deposits were again the main contributors to the growth of monetary aggregates. The growth was concentrated in the segment of time deposits, interest rates on which continued to rise given the expectations of a further monetary tightening and growing demand from SICs in anticipation of the tightening of the LCR compliance requirements from 1 January 2025. The contribution of cash in circulation outside the banking system (M0) to the dynamics of monetary aggregates remained low.

<sup>10</sup> Where increases in the growth rates of monetary aggregates and money supply sources comprising foreign currency and ruble components are calculated herein, the growth rate of the foreign currency component is converted into rubles using the period average exchange rate.

<sup>11</sup> The banking system's claims on the economy mean all claims of the banking system on non-financial organisations, financial institutions, and households in Russian rubles, foreign currency, and precious metals, which include loans extended (including overdue loans), overdue interest on loans, credit institutions' investment in debt and equity securities and promissory notes, as well as other forms of participation in equity of non-financial organisations and financial institutions, and other receivables under settlement operations with non-financial organisations, financial institutions, and households.

### • Exchange rate (foreign exchange channel)

As of the end of December, the ruble strengthened against the main foreign currencies for the first time in six months (Table 3). Nevertheless, average monthly exchange rates demonstrated the opposite trend: the ruble weakened against the US dollar, euro, and yuan by 1.6%, 0.4%, and 2.8%, respectively.

A notable ruble appreciation took place in the first half of December as the market was stabilising and volatility was decreasing following a considerable depreciation in November due to new US sanctions, including those targeting the Russian payment infrastructure. After the Board of Directors made its decision to keep the key rate unchanged, the ruble was mostly strengthening as well.

In December, the spread between the USD/RUB exchange rate calculated based on the over-the-counter quotations and the cross rate calculated using the USD/CNY and USD/CNH exchange rates was volatile and ranged from -1.4% to 3.5%, which was generally in line with the dynamics as of the end of November and was largely attributed to temporary challenges related to cross-border transactions with foreign currency and low market liquidity during the last business days of the year.

RUBLE EXCHANGE RATE

Table 3

	USD/RUB (Bank of Russia)	EUR/RUB (Bank of Russia)	CNY/RUB (Moscow Exchange)
29.12.2024	101.68	106.10	13.71
30.11.2024	107.74	114.31	14.50
Change, %	-5.6	-7.2	-5
Average for December	102.26	107.59	13.88
Average for November	100.37	107.19	13.91
Change, %	+1.6	+0.4	-0.2

Note. '+' – depreciation of the ruble; '-' – appreciation of the ruble.  
Sources: Moscow Exchange, Bank of Russia calculations.

The [real effective exchange rate \(REER\) of the ruble](#) calculated against the currencies of the main foreign trade partners strengthened by 1% in December (weakened by 0.9% YoY) and is currently significantly below its multi-year median (-9% vs the median of January 2015–November 2024).

### • Russian stock market

In December, the Russian stock market rose as compared to November. As of the end of the month, the Moscow Exchange Index equalled 2,809 p (+10.3% MoM; -9.4% YtD), and the Russian Volatility Index (RVI) averaged 44 p in December (-12 p MoM), which was lower than the average values recorded in the previous month.

The key driver of the market growth was the revision of expectations regarding the key rate following the decision to keep it at 21.00% per annum, made on 20 December, vs the expected increase to 23.00%. On the day the Board of Directors made this decision, the index grew from 2,419 p to 2,652 p and continued rising until the end of the year.

Over the month, sectoral stock indices demonstrated positive dynamics, with oil and gas enterprises (+16.2% MoM) as well as companies from the financial (+15.9% MoM) and transportation (+15.2% MoM) sectors becoming the biggest gainers. The overall annual dynamics suggest that the majority of industries experienced a downturn, which was most notable in construction (-34.4% YoY), with only IT and oil and gas companies showing slight growth (+1.65% YoY and +0.74% YoY, respectively).

### • Foreign markets

The GDP-weighted average policy rate in advanced economies fell in December (-20 bp to 3.48%) owing to the fact that a number of central banks continued their monetary easing cycles. These included the central

banks from the US (-25 bp to 4.5%), Canada (-50 bp to 3.25%), and the euro area (-25 bp to 3%). The weighted average policy rate in emerging market economies (EMEs) demonstrated similar dynamics. This was associated with the rate cuts by a number of central banks, including in Mexico (-25 bp to 10%), Colombia (-25 bp to 9.5%), Chile (-25 bp to 5%), the Dominican Republic (-25 bp to 6%), Jamaica (-25 bp to 6%), the Philippines (-25 bp to 5.75%), Armenia (-25 bp to 7%), Kenya (-75 bp to 11.25%), and Turkey (-250 bp to 47.5%). Yet, certain countries registered increases in their policy rates, namely Uruguay (+25 bp to 8.75%) and Kazakhstan (+100 bp to 15.25%).

As of the end of December, the average monthly yield curve of UST rose for all maturities (Table 4), despite the US Fed funds rate cut by 25 bp on 18 December. This was mainly attributed to the data on inflation and GDP as well as the statements made by the US Fed officials about a possible pause in January and a slower process of further rate cuts (by 50 bp during 2025 vs 100 bp expected earlier).

Despite the easing of the European Central Bank's monetary policy in December and the downward revision of the economic growth rates and inflation, the European bond yields were up by 10–25 bp, depending on the maturity.

UST YIELD CURVE

Table 4

Maturity	2Y	5Y	10Y
31.12.2024	4.24	4.38	4.57
29.11.2024	4.13	4.05	4.18
Change, bp	11	33	39
Average for December 2024	4.23	4.26	4.39
Average for November 2024	4.26	4.23	4.36
Change, bp	-3	3	3

Sources: Cbonds, Bank of Russia calculations.

Due to the revision of expectations regarding the further path of the US Fed funds rate as well as the growth of bond yields, the US dollar continued to strengthen. The US Dollar Index (DXY) rose to 108.5 (+2.6%). In November, most EMEs' currencies weakened against the US dollar (BRLUSD: -3.4%; CNYUSD: -0.8%; TRYUSD: -1.7%; MXNUSD: -2.12%).

As of the end of December, mixed trends were observed in the global stock markets (S&P 500: -2.5%; Stoxx 600: -0.5%; Nikkei 225: +4.4%; SSE Composite: +0.76%; Nifty 50: -1.9%; MSCI ACWI: -2.5%). A decline in the US Stock Market Index was due to the revision of the future path of the US Fed's monetary policy and investors' response to the statements made by the US Fed policymakers. Movements in the Asian market indices were influenced by the statements made by the Chinese authorities about their intentions to pursue expansionary fiscal and monetary policies as well as by the Bank of Japan's decision to keep the policy rate at the same level instead of raising it, which came as a surprise to the market.

## Charts and tables

THE LIQUIDITY BALANCE AS OF THE YEAR END WAS LOWER THAN FORECAST BY THE BANK OF RUSSIA (P TN)

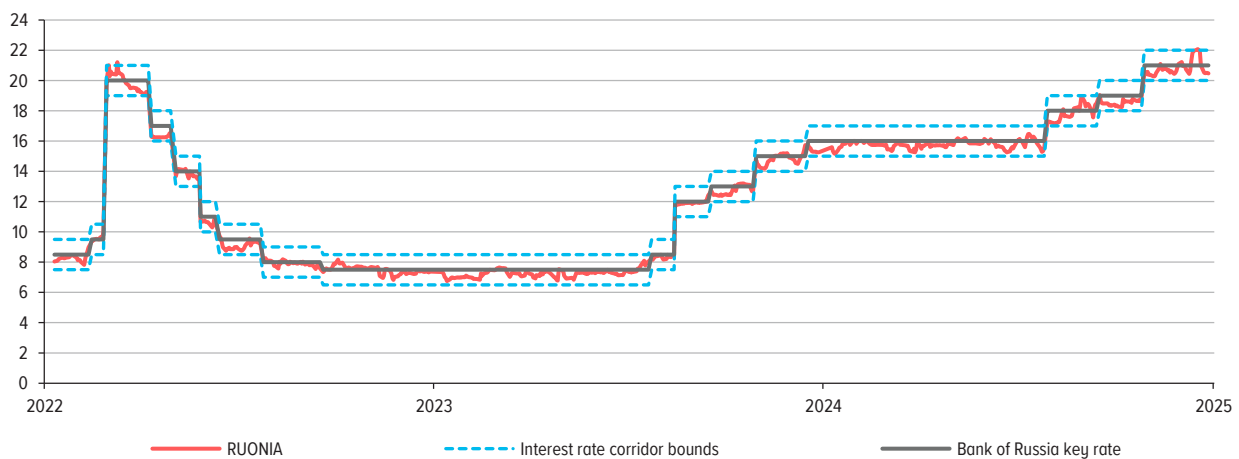
Table 5

	2023	2024 (actual)	December 2024	2024 (forecast)
<b>Liquidity deficit (+)/surplus (-) (as of beginning of period)</b>	<b>-3.5</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>
Liquidity inflow (+)/outflow (-):	-3.4	-0.6	-0.2	[0.2; 1.0]
– change in balances of general government accounts with Bank of Russia and other operations*	1.0	0.4	0.6	[1.2; 1.4]
– change in cash in circulation	-2.0	-0.2	-0.6	[-0.2; 0.2]
– change in required reserves	-2.4	-0.8	-0.1	[-0.9; -0.7]
<b>Liquidity deficit (+)/surplus (-) (as of end of period)</b>	<b>0.0</b>	<b>0.6</b>		<b>[-1.0; -0.2]</b>

\* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market and other operations.  
Source: Bank of Russia calculations.

RUONIA (%)

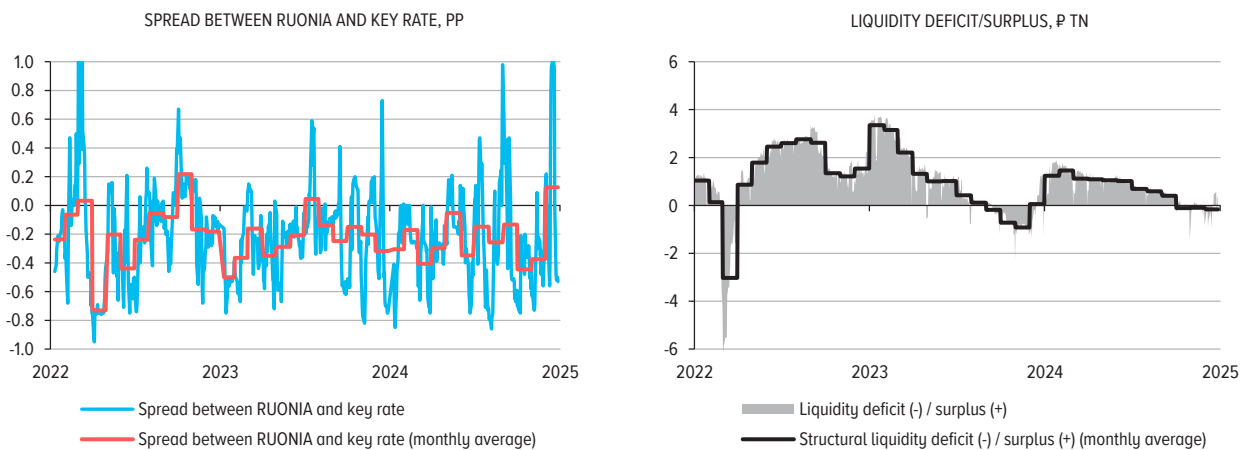
Chart 6



Source: Bank of Russia calculations.

THE AVERAGE SPREAD BETWEEN RUONIA AND THE BANK OF RUSSIA KEY RATE NARROWED AND BECAME POSITIVE IN DECEMBER

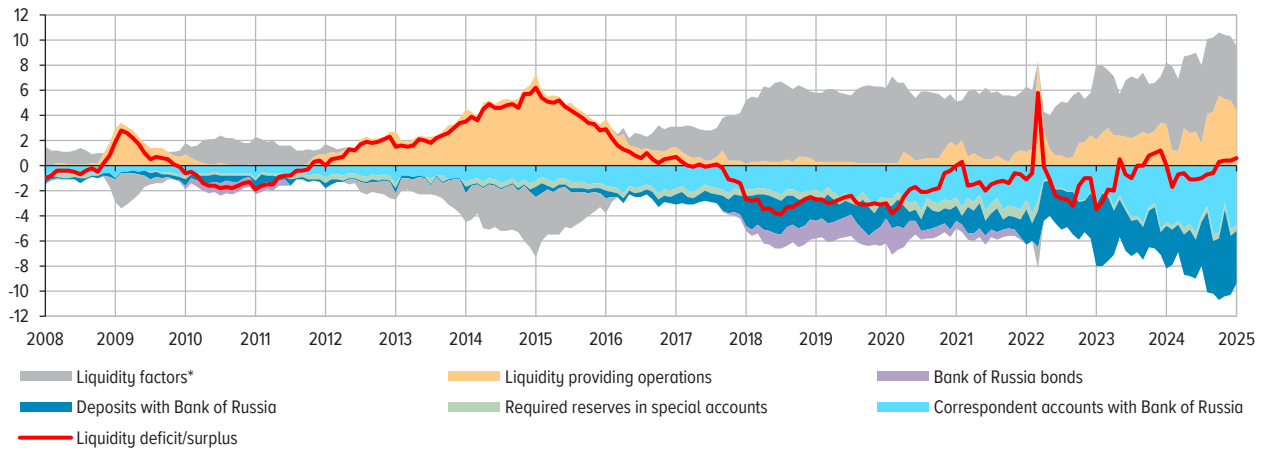
Chart 7



Source: Bank of Russia calculations.

**BANK OF RUSSIA'S BALANCE SHEET**  
(P TN)

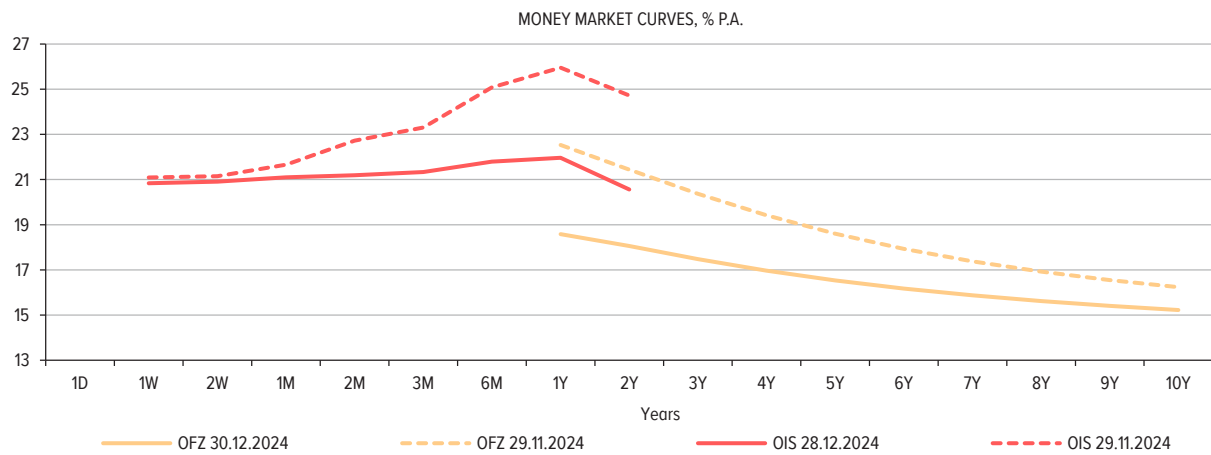
Chart 8



\* This item is balancing and comprises changes in all other, not differentiated, items of the Bank of Russia's balance sheet.  
Source: Bank of Russia calculations.

**MONEY MARKET CURVES SHIFTED DOWNWARDS FOR ALL MATURITIES IN DECEMBER**

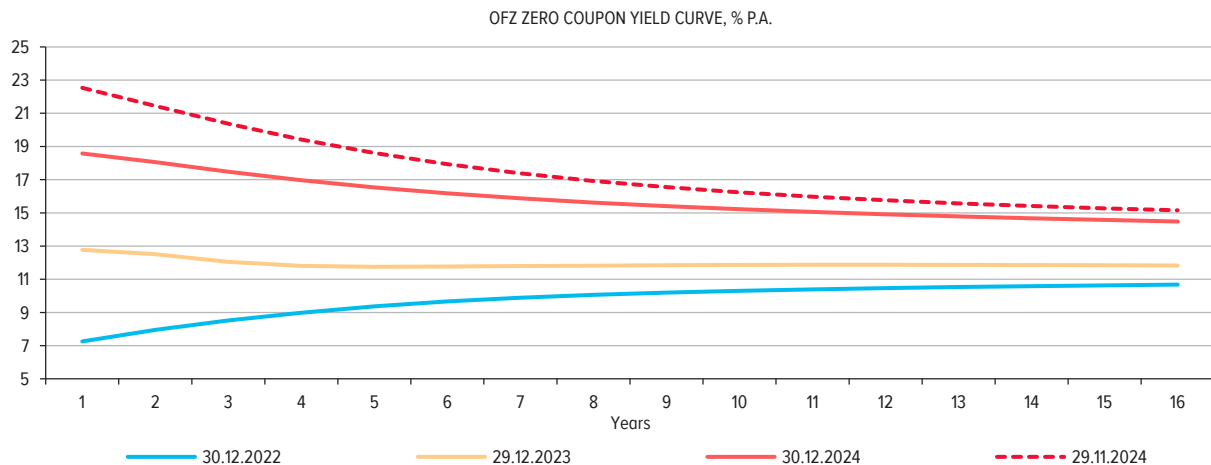
Chart 9



Sources: Moscow Exchange, National Finance Association.

**OFZ YIELDS DECLINED FOR ALL MATURITIES**

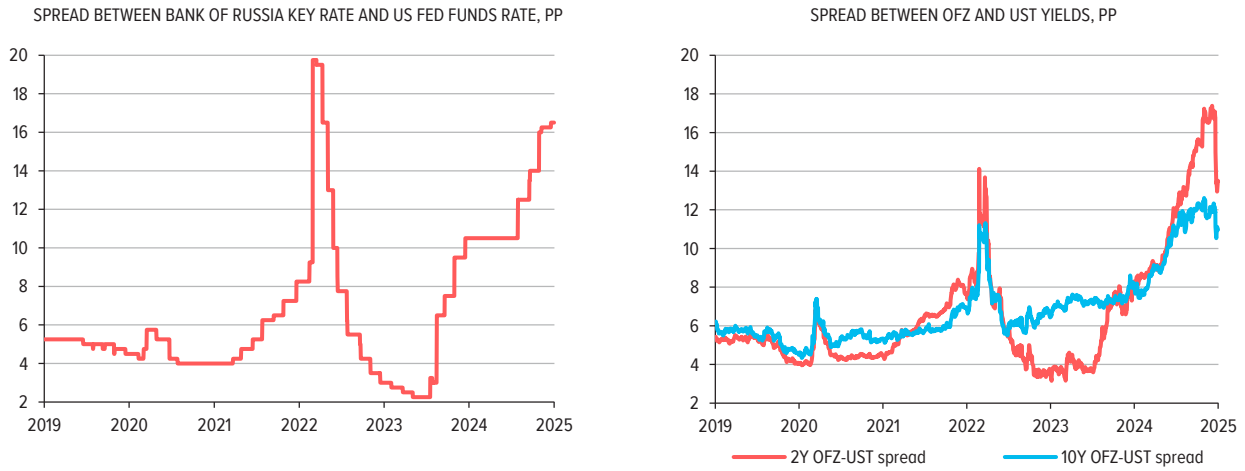
Chart 10



Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

THE SPREAD BETWEEN OFZ AND UST YIELDS WIDENED

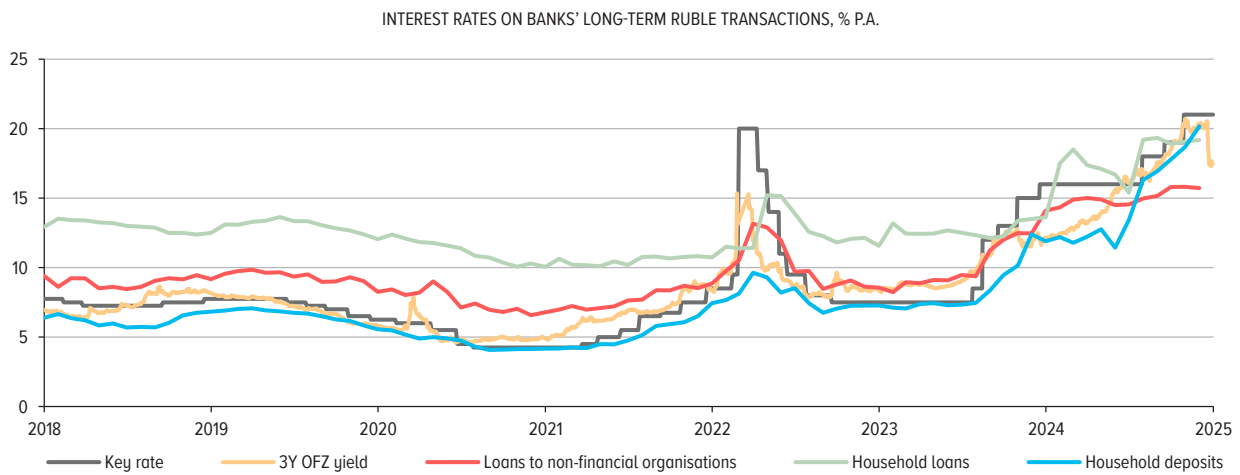
Chart 11



Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

CREDIT AND DEPOSIT RATES CONTINUED TO GROW IN NOVEMBER

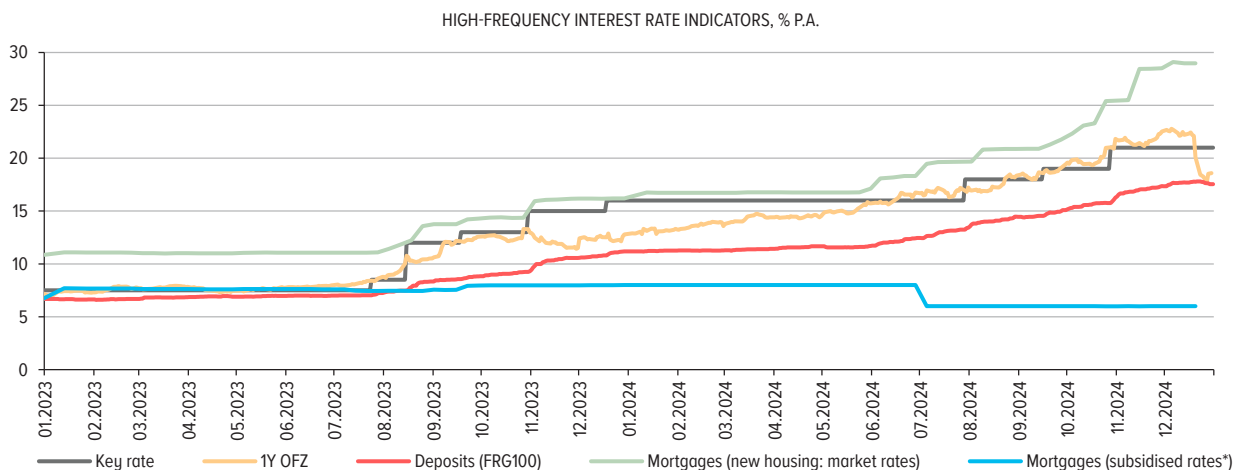
Chart 12



Source: Bank of Russia.

DECEMBER SAW DEPOSIT RATES STOP GROWING FOLLOWING THE DECISION ON KEEPING THE KEY RATE UNCHANGED

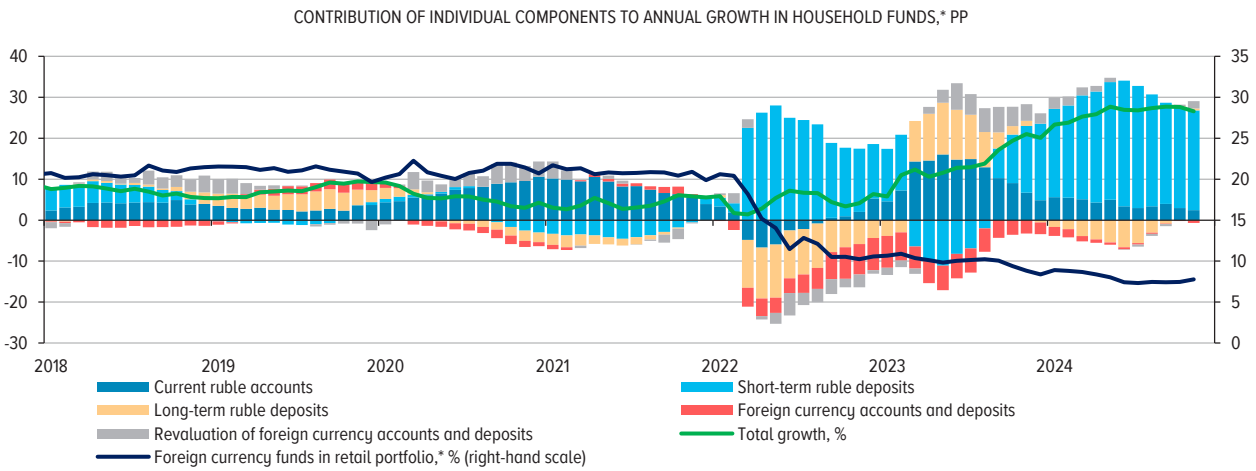
Chart 13



\* Until 1 July 2024 – the interest rate under the Subsidised Mortgage programme, from 1 July 2024 – the interest rate under the Family Mortgage programme.  
Sources: Bank of Russia, Frank RG, JSC DOM.RF.

**RIISING DEPOSIT RATES SUPPORTED HIGH DEPOSIT ACTIVITY IN NOVEMBER, ESPECIALLY IN THE SEGMENT OF SHORT-TERM RUBLE DEPOSITS**

Chart 14



\* Excluding escrow accounts.  
Source: Bank of Russia calculations.

**LENDING DECELERATED IN BOTH THE RETAIL AND CORPORATE SEGMENTS IN NOVEMBER**

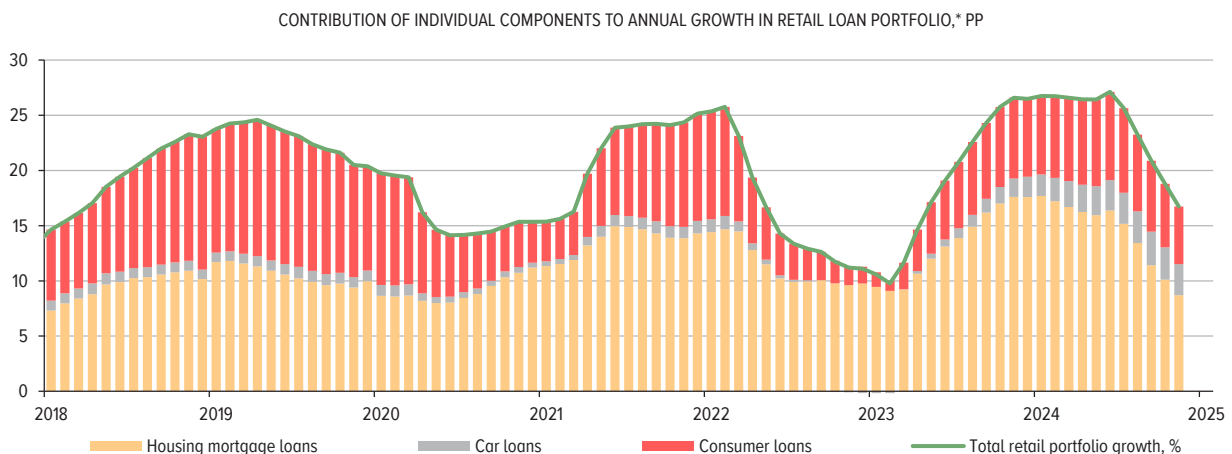
Chart 15



\* Since 1 February 2021, the portfolios of corporate and retail loans include acquired rights of claim, therefore the growth indicators in the chart before and after this date are comparable to a limited extent.  
Source: Bank of Russia calculations.

**SLOWER GROWTH OF THE RETAIL LOAN PORTFOLIO IN NOVEMBER WAS MAINLY OBSERVED IN THE MORTGAGE SEGMENT**

Chart 16

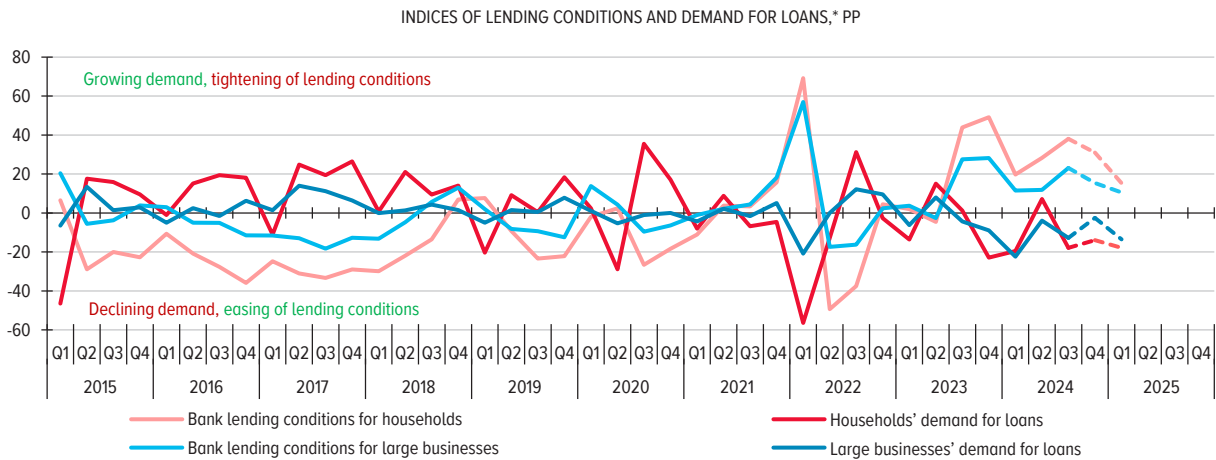


\* For loans grouped into homogeneous loan portfolios, including acquired rights of claim, adjusted for securitisation transactions.  
Source: Bank of Russia calculations.



## BANKS NOTE A CONSIDERABLE TIGHTENING OF BLC FOR RETAIL AND CORPORATE BORROWERS IN 2024 Q3

Chart 17



## CREDIT AND DEPOSIT MARKET INDICATORS

Table 6

		August 2024	September 2024	October 2024	November 2024
<b>Interest rates on banks' long-term ruble transactions</b>					
household deposits	% p.a.	16.9	17.8	18.7	20.2
household loans	% p.a.	19.3	18.9	19.1	19.2
corporate loans	% p.a.	15.2	15.8	15.8	15.7
<b>Household funds*</b>	<b>% YoY, AFCR</b>	<b>27.4</b>	<b>27.7</b>	<b>27.6</b>	<b>26.6</b>
in rubles*	% YoY	30.8	30.9	30.7	29.9
in foreign currency	% YoY	-9.7	-8.2	-9.2	-13.5
share of foreign currency*	%	7.5	7.4	7.5	7.8
<b>Corporate loans**</b>	<b>% YoY, AFCR</b>	<b>22.0</b>	<b>21.8</b>	<b>21.8</b>	<b>20.3</b>
<b>Household loans**</b>	<b>% YoY, AFCR</b>	<b>23.2</b>	<b>20.9</b>	<b>18.8</b>	<b>16.7</b>
housing mortgage loans**	% YoY, AFCR	25.8	21.7	19.1	16.4
unsecured consumer loans**	% YoY	16.7	15.7	14.1	13.1
<b>Claims of banking system on economy</b>	<b>% YoY, AFCR</b>	<b>20.6</b>	<b>20.0</b>	<b>19.6</b>	<b>17.6</b>
on businesses	% YoY, AFCR	20.9	21.3	21.5	20.2
on households	% YoY, AFCR	19.7	16.9	14.9	11.3
<b>Money supply (M2)</b>	<b>% YoY</b>	<b>17.9</b>	<b>18.8</b>	<b>19.5</b>	<b>20.0</b>
<b>Broad money (M2X)</b>	<b>% YoY, AFCR</b>	<b>14.5</b>	<b>15.4</b>	<b>15.9</b>	<b>15.7</b>

\* Excluding escrow accounts.

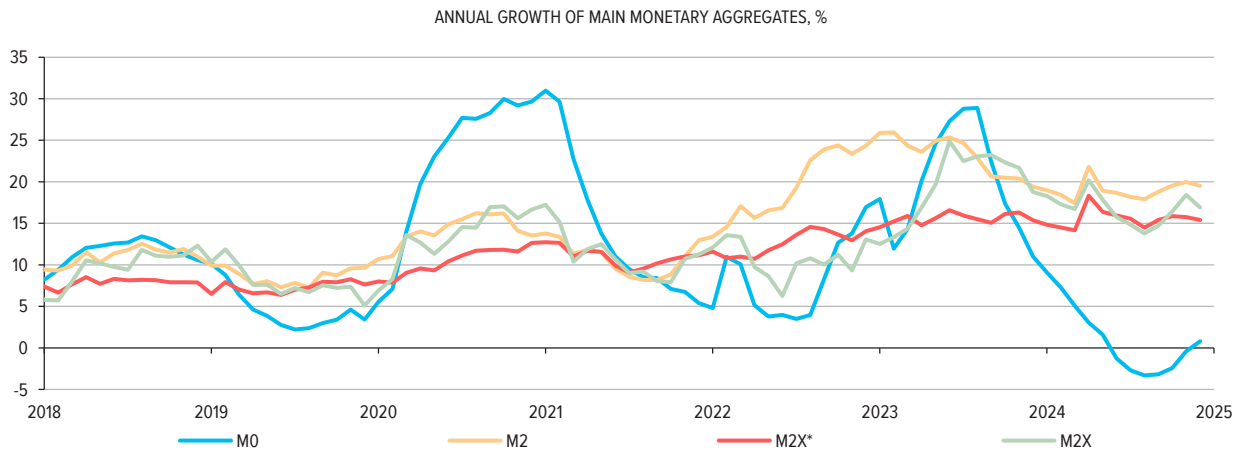
\*\* Including acquired rights of claim. The growth rate of the household loan portfolio was adjusted for securitisation transactions.

Note. YoY – year-on-year, AFCR – adjusted for foreign currency revaluation. The exchange rate as of the beginning of the period is used to make the adjustment for foreign currency revaluation.

Source: Bank of Russia calculations.

DECEMBER SAW THE GROWTH RATE OF MONETARY AGGREGATES RETURN TO ITS OCTOBER LEVELS

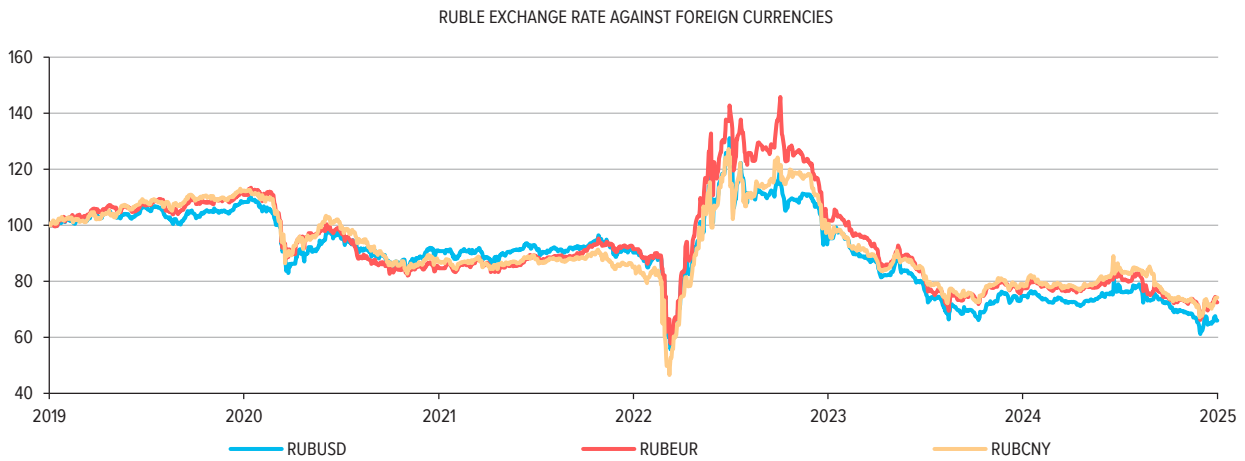
Chart 18



\* Adjusted for foreign currency revaluation.  
 Source: Bank of Russia calculations.

THE RUBLE WAS STRENGTHENING IN DECEMBER  
 (02.01.2019 = 100)

Chart 19



Sources: Cbonds, Bank of Russia calculations.

## THE RUSSIAN FINANCIAL MARKET DEMONSTRATED POSITIVE TRENDS IN DECEMBER

Table 7

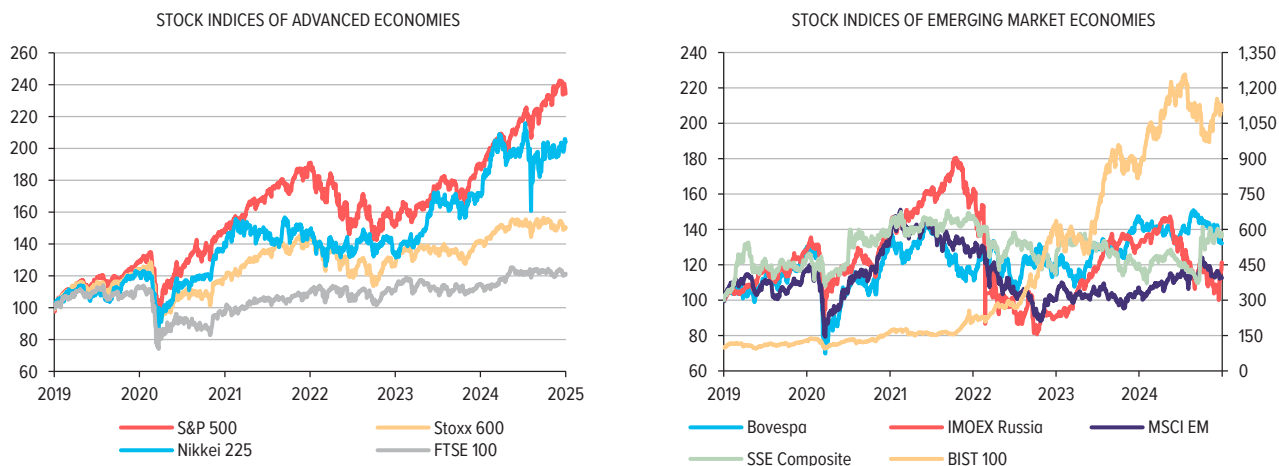
Indicator		30.12.2024	1M	3M	6M	YTD	1Y
<b>Russian financial market ('+' – positive trends, '-' – negative trends)</b>							
RUB/USD exchange rate		101.68	7.2	-10.0	-18.6	-12.6	-10.9
MOEX Russia Index		2,883	11.8	0.9	-9.5	-7.0	-7.1
RTS Index		893	18.5	-8.0	-22.3	-17.6	-18.1
Government bond yields		16.04	-186	-82	54	406	410
Corporate bond yields		22.00	-336	176	431	782	758
Regional bond yields		19.80	-226	95	311	718	721
RVI		35	-20	5	11	7	9
<b>Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)</b>							
AEs*	US Dollar Index	108.45	2.5	7.6	2.6	7.0	7.0
	Euro	1.04	-2.1	-7.0	-3.6	-6.2	-6.2
	Japanese yen	157.37	4.6	9.6	-2.5	11.6	11.6
	Pound sterling	1.25	-1.6	-6.4	-1.3	-1.8	-1.8
EMEs	Ruble	113.75	-6.5	-22.5	-29.5	-27.7	-27.7
	Brazilian real	6.18	-3.2	-13.5	-8.9	-27.4	-27.4
	Mexican peso	20.85	-2.7	-5.9	-14.2	-22.8	-22.8
	Chinese yuan	7.30	-0.8	-4.0	-0.4	-3.1	-3.1
	Turkish lira	35.38	-2.0	-3.4	-8.7	-19.9	-19.9
	South African rand	18.87	-4.6	-9.3	-1.5	-3.2	-3.2
<b>10Y bond yields (% p.a., change in bp, '+' – increase, '-' – decrease)</b>							
AEs	US	4.58	40	77	15	70	70
	Germany	2.36	28	24	-24	34	34
	Japan	4.56	32	372	349	396	396
	UK	1.09	5	-292	-316	-244	-244
EMEs	Russia	15.22	-101	-63	8	336	336
	Brazil	15.15	139	286	273	478	478
	Mexico	10.42	15	110	5	115	115
	China	1.67	-37	-51	-58	-92	-92
	Turkey	27.15	-216	-134	-122	202	202
	South Africa	9.04	13	19	-114	-73	-73
<b>5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)</b>							
AEs	US	29	-1	-6	-6	-14	-14
	Germany	14	1	3	4	-3	-3
	Japan	20	-1	1	-1	-5	-5
	UK	21	2	0	-5	-15	-15
EMEs	Brazil	207	51	61	44	81	81
	Mexico	136	18	21	32	51	51
	China	66	1	6	0	5	5
	Turkey	253	7	-4	-11	-15	-15
	South Africa	191	8	16	-17	-6	-6
<b>Stock indices (p, % change, '+' – increase, '-' – decrease)</b>							
AEs	S&P 500	5,882	-2.50	2.1	6.8	23.3	23.3
	Stoxx 600	508	-0.52	-2.9	-0.6	6.0	6.0
	Nikkei 225	39,895	4.41	5.2	-0.4	19.2	19.2
	FTSE 100	8,173	-1.38	-0.8	0.6	5.7	5.7
EMEs	MSCI EM	1,075	-0.29	-8.1	-0.4	5.1	5.1
	Bovespa	120,283	-4.28	-8.7	-3.6	-10.4	-10.4
	IPC Mexico	49,548	-0.33	-5.6	-4.6	-13.7	-13.7
	SSE Composite	3,352	0.76	0.5	11.8	12.7	12.7
	BIST 100	9,831	1.85	1.7	-5.9	31.6	31.6
	FTSE/JSE	84,095	-0.49	-2.8	5.9	9.4	9.4

\* Advanced economies.

Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

STOCK INDICES SHOWED DIVERSE TRENDS IN DECEMBER  
(02.01.2019 = 100)

Chart 20



Note. The stock indices are specified in national currencies.  
Sources: Cbonds, Bank of Russia calculations.

## Data cut-off dates:

- Interest rates – 28 December 2024.
- Banks' interest rates on ruble loans and deposits – 1 December 2024, high-frequency data – 31 December 2024.
- Growth rates of credit and deposit aggregates – 1 December 2024.
- Growth rates of monetary aggregates – 1 December 2024, high-frequency data – 1 January 2025.

The electronic version of the [information and analytical commentary](#) is available on the Bank of Russia website.

Please send your comments and suggestions to [svc\\_analysis@cbr.ru](mailto:svc_analysis@cbr.ru).

This commentary was prepared by the Monetary Policy Department.

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