Bank of Russia

March 2025

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM

Information and analytical commentary

9 April 2025

MONETARY CONDITIONS AND MONETARY POLICY TRANSMISSION MECHANISM (MARCH 2025)

Indicators of monetary conditions were changing diversely in February–March (Chart 1). Breakeven inflation and real interest rates were drifting down in most segments of the financial market. OFZ yields and banks' expectations regarding the future key rate path adjusted downwards during this period. In February–March, banks cut deposit rates in such conditions, but the decrease in inflation expectations contributed to further monetary tightening. The further decline in corporate and retail lending segments continued and, together with the insignificant effect of fiscal flows, was the biggest contributor to the slow growth in monetary aggregates in February–March.

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).[1]

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.

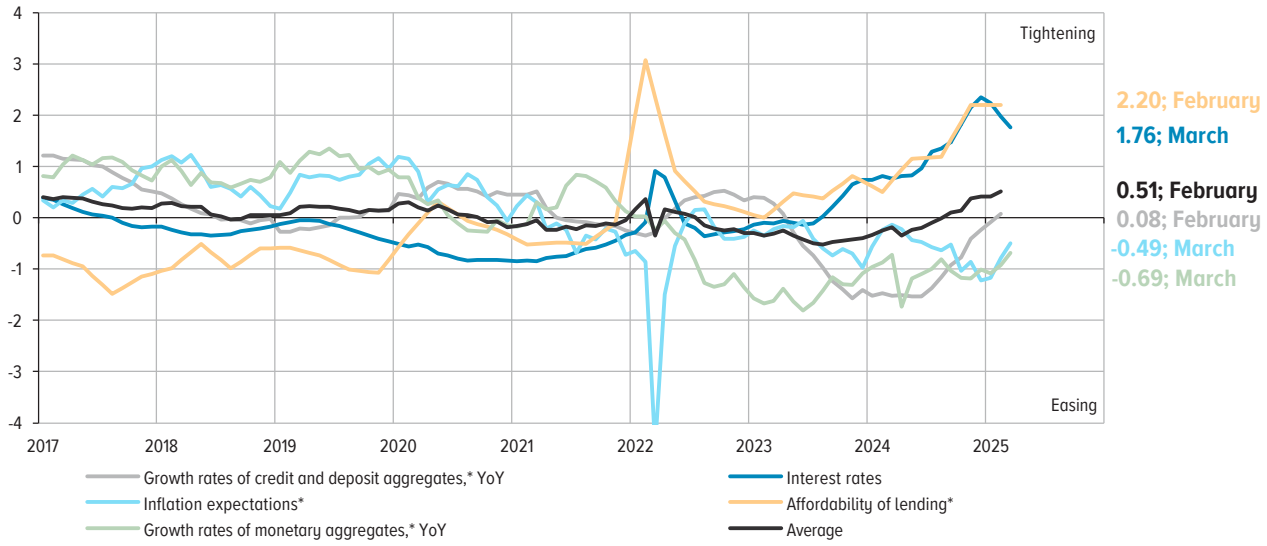
[1] See Appendix 1 to the Monetary Policy Guidelines for 2025–2027.

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 February 2025 (left-hand chart) and to March 2025 (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 means 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.*
*** The average for the issues maturing in 2028, 2030, and 2032. The distribution of values since October 2021.*
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 21 March 2025, the Bank of Russia Board of Directors decided to keep the key rate at 21% per annum. This decision was in line with market expectations. As to the medium term, the balance of risks was still tilted towards proinflationary ones.

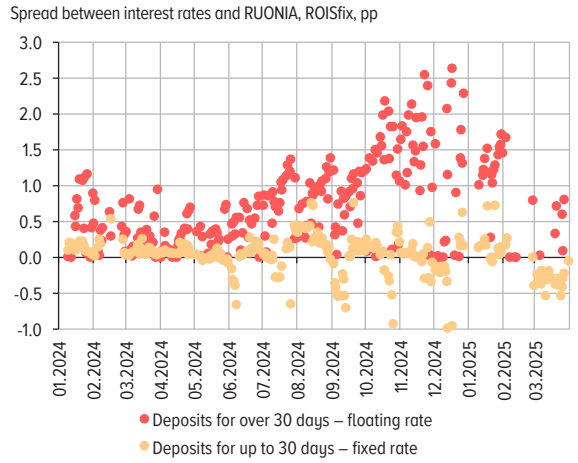
According to the Bank of Russia's assessment, the achieved monetary tightness creates prerequisites for resuming the disinflation process and returning inflation to the target in 2026. However, according to the baseline scenario, it is necessary to maintain tight monetary conditions in the economy for a long period.

Most market participants believe that the peak of tightening in this monetary policy cycle has already been reached and expect the regulator to start easing monetary policy between the end of 2025 H1 and the beginning of 2025 H2. However, the Bank of Russia has announced that it will consider the possibility of raising the key rate if the pace of disinflation is insufficient to return inflation to the target in 2026.

- **Banking sector liquidity and overnight rates (RUONIA).** In March, the spread between RUONIA and the key rate turned positive: +35 bp (vs -19 bp in February). The spread volatility dropped to 16 bp (vs 34 bp in February). Money market rates went up despite the fact that the structural liquidity surplus remained almost the same, averaging ₽1.1 trillion in March compared to ₽1.0 trillion in February. Growing demand in the money market was mainly driven by a continued uneven distribution of liquidity between banks amid a decrease in outstanding amounts on Bank of Russia refinancing operations. Concurrently, the market supply did not fully adopt to the increased demand.

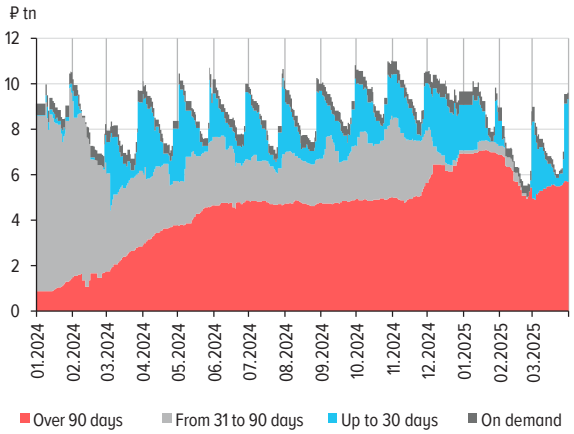
The impact of liquidity factors was close to neutral in March. The reduction in cash in circulation (₽0.2 trillion in March; ₽1.0 trillion YtD) resulted in the inflow of liquidity into banks in amounts exceeding the average March values in previous years. As before, this might have been associated with high deposit rates, with the key rate remaining at the current level.

INTEREST RATES ON FT DEPOSITS (ADJUSTED FOR RR COSTS) *Chart 3*



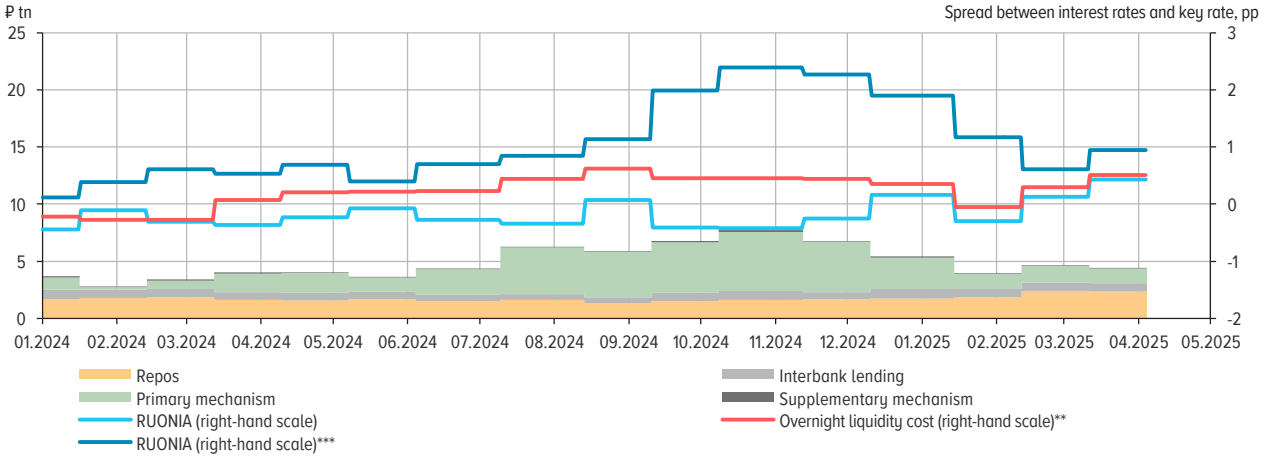
Source: Bank of Russia calculations.

BANKS' DEBT ON FT OPERATIONS *Chart 4*



Source: Bank of Russia calculations.

VOLUME AND COST OF OVERNIGHT BORROWING (AVERAGE VALUE FOR AP)* *Chart 5*



** Data for the period until 4 April 2025.*
*** The 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.*
**** The weighted average cost of overnight borrowing in the money market, taking into account the Bank of Russia's standing facilities.*
Source: Bank of Russia calculations.

In general, budget operations led to an insignificant outflow of liquidity, as the Bank of Russia continued to mirror the net sales of foreign currency made by the Ministry of Finance of Russia in 2024.[1] Concurrently, high annual taxes were paid at the end of the month, which was typical of this time of the year. Furthermore, banks transferred liquidity from their correspondent accounts to special required reserve accounts due to the annual recalculation of required reserves (RRs) in the special accounts during the regulation period. The amount of RRs to be averaged in correspondent accounts was cut by almost the same sum (excluding the impact of growth in reservable liabilities). In March, the amount of RRs generally edged down mainly due to the foreign currency revaluation of reservable liabilities.

In March (as in previous months), fiscal expenditures were financed by using budget revenues and reducing Federal Treasury (FT) deposits. In general, this process is neutral for the banking sector's liquidity. However, its distribution between banks tends to change, since budget funds do not always

[1] See Monetary Conditions and Monetary Policy Transmission Mechanism No. 1 (31), January 2025.

come to the same banks from which they have been previously withdrawn. As budget-funded entities spend the funds received, the funds are distributed across the banking sector. However, before that, banks facing a liquidity outflow should compensate for it by borrowing funds in the money market or from the Bank of Russia.

Concurrently, borrowings from the Bank of Russia decreased in March. The amount due on the Bank of Russia's one-month repo transactions was repaid as scheduled. Furthermore, demand for the Bank of Russia's standing lending facilities as part of the primary mechanism also declined. These facilities allowed banks to improve their liquidity coverage ratios (LCR), so systemically important credit institutions (SICIs) were actively raising such loans in 2024–early 2025, although interest rates on them exceeded the cost of market borrowings. Declining demand for loans from the Bank of Russia might indicate an improvement in the LCR compliance. This was also evidenced by a reduction in interest rates on short-term corporate deposits and their convergence with RUONIA.[2]

Thus, banks that still needed to raise funds partly switched from Bank of Russia facilities to borrowings in the money market. In order to ensure market equilibrium, the Bank of Russia reduced limits at its deposit auctions: the amount of funds offered at one-week deposit auctions dropped from ₽1.8 trillion to ₽0.3 trillion. The released funds were partly transferred to the Bank of Russia's standing deposit facilities. Certain banks were able to increase the amount of sales in the money market, including sales of long-term debt products. However, it takes time to change the structure of money market transactions and reach equilibrium in the new environment. Therefore, money market rates went up. In order to limit fluctuations in money market rates during the tax period, the Bank of Russia held a fine-tuning repo auction on 27 March.[3]

The Bank of Russia will continue to make decisions on its further operations based on the nature of supply and demand in the money market and the ability of this market to redistribute liquidity. In particular, the Bank of Russia will consider the possibility of changing the purpose of its main operations, namely one-week auctions, from absorbing to providing liquidity before the banking sector has a structural deficit of liquidity. In this case, the Bank of Russia will start holding repo auctions instead of one-week deposit auctions. However, other Bank of Russia monetary policy instruments (including standing facilities) will remain unchanged.

After changing the purpose of its main operations, the regulator will remain primarily focused on bringing interbank money market rates closer to the key rate. In addition, it is also important for the Bank of Russia to support market activity. In order to avoid being excessively involved in the redistribution of funds and substituting market intermediation, the regulator will seek to hold liquidity management auctions only for one of the purposes (either to provide or absorb liquidity). As the banking sector adapts to the changed liquidity situation, interbank money market rates will get closer to the key rate.

The liquidity balance forecast for the December 2025 averaging period (AP) assumes a deficit of ₽1.6 trillion–2.4 trillion.[4] The shift to a persistent deficit will occur due to growth in RRs, the mirroring by the Bank of Russia of the net foreign currency sales from the National Wealth Fund by the Russian Ministry of Finance in 2024, and a minor increase in the amount of cash in circulation.

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[2] See Monetary Conditions and Monetary Policy Transmission Mechanism No. 12 (30), December 2024.

[3] See the press release of the Bank of Russia, dated 24 March 2025.

[4] See the Commentary on the Bank of Russia's Medium-term Forecast, dated 26 February 2025.

- **Money market.** In March, there was a minor upward shift in the ROISfix curve for maturities of up to one year. The curve movements in this section were in the range between +16 bp and +32 bp. In the long-term section, the curve shifted downwards by 22–53 bp. The March curve movements are mainly explained by the market reaction to the signal from the Bank of Russia, which remains tough, according to analysts.

ROISFIX CURVE *Table 1*

Maturity	1w	2w	1M	2M	3M	6M	1Y	2Y
31.03.2025	21.41	21.38	21.32	21.32	21.37	21.41	20.66	17.57
28.02.2025	21.09	21.11	21.12	21.16	21.15	21.14	20.88	18.10
Change, bp	+32	+27	+20	+16	+22	+27	-22	-53

- **Federal government bonds.** In the first half of March, OFZ yields mainly decreased. The most significant movements were registered in the short- and medium-term segments of the curve. Despite growth in rates on interest rate swaps, the downward dynamics of the OFZ curve was mainly due to decreased risk premiums and lower geopolitical risks. Following the meeting of the Bank of Russia Board of Directors on 21 March, OFZ yields slightly adjusted upwards because the Bank of Russia continued to give a moderately tough signal. Some market participants interpreted the signal rather as a certain tightening, but the impact on the OFZ yield curve was limited (+30–60 bp on average along the entire length). As of the end of March, average monthly OFZ yields significantly declined MoM in general. In March, breakeven inflation for inflation-indexed federal government bonds (OFZ-IN) was also down: for OFZ-IN 2028 by 107 bp to 4.14%; for OFZ-IN 2032 by 33 bp to 6.15%.

OFZ ZERO COUPON YIELD CURVE *Table 2*

Maturity	1Y	2Y	3Y	5Y	7Y	10Y
31.03.2025	18.20	16.66	16.11	15.72	15.53	15.33
28.02.2025	18.93	17.94	17.25	16.41	15.94	15.52
Change, bp	-73	-129	-114	-69	-41	-19
Average for March 2025	17.84	16.23	15.64	15.25	15.09	14.95
Average for February 2025	18.91	18.08	17.50	16.77	16.35	15.96
Change, bp	-106	-185	-186	-153	-126	-101

There was an increase in the secondary OFZ market liquidity. Daily average trades totalled ₽41.3 billion (vs ₽34.6 billion in February). The composition and behaviour of market participants slightly changed. Non-bank financial institutions remained the key buyers, including as part of trust management (₽131.4 billion). Activity of foreign investors increased significantly (₽25.1 billion). In March, the largest net sellers were SICIs (-₽233.0 billion).

During four auction weeks in March, the Russian Ministry of Finance offered only standard fixed-coupon federal government bonds (OFZ-PD) as in the previous month. Demand for bonds was mainly from collective investors, with SICIs also remaining active in the primary market. The Ministry continues to offer predominantly long-term issues with maturities of over 10 years starting from 2024 H2. As a result of the improvement in the debt market, standard fixed-income securities were again in demand from investors. This helped decrease the premium to the secondary market yield, which fluctuated from -15 bp to +9 bp.

The Russian Ministry of Finance set a borrowing target of ₽4.8 trillion for 2025. As of the end of 2025 Q1, the quarterly borrowing programme was fulfilled by 23% of the annual target.

- **Corporate bond market.** In March, average corporate bond yields were lower than in February (21.70% in March vs 22.58% in February). But on 31 March 2025, the IFX-Cbonds index reached 22.26% (+36 bp MoM). The average monthly spread between this index and OFZ yields expanded to 380 bp (vs 353 bp in February), staying above the 2022–2024 average. Spreads relative to lower-rated securities expanded most prominently, whereas those relative to blue-chip bonds barely changed: IG – 300 bp (+58 bp MoM), BB/ruBBB – 4,195 bp (+2,562 bp MoM), B/ruB – 1,628 bp (+202 bp MoM).

In the primary market, corporate borrowings rose by 60% MoM and doubled YoY in March (₽1.06 trillion in March 2025 vs ₽659 billion in February 2025 and ₽585 billion in March 2024), including issues of yuan-denominated securities and substitute bonds. In March, the growth rate of the corporate bond portfolio was the highest since the beginning of the year but below the 2014–2021 median (+1.3% in March 2025 vs the median of 1.75%). The current activity in the corporate debt market was probably related to a temporary improvement in the market environment amid reduced geopolitical risks and expectations of an easing of monetary conditions in the coming quarter (the share of variable coupon securities offered by non-financial companies soared to 52% in March 2025 from below 10% in January–February 2025), as well as tight bank lending conditions.

As of the end of March, the corporate bond market totalled ₽31.4 trillion (+21.9% YoY; ₽25.8 trillion in March 2024).

No substitute bonds were offered in March. According to Cbonds, yields on substitute bonds virtually unchanged and equalled 7.8% as of the end of the month (-19 bp MoM). The spread between them and US Treasuries (UST) with similar maturities remained also unchanged relative to late February (391 bp in March 2025 vs 397 bp in February).

Banks' interest rates on ruble loans and deposits

- **Deposit rates.** In February, weighted average interest rates on ruble deposits continued to drift gradually down because of a downward adjustment of banks' expectations for the further key rate path following the February meeting of the Bank of Russia Board of Directors. The interest rate on short-term deposits edged down by 0.1 pp to 21% p.a., and on long-term ones[5] – by 0.2 pp to 19.8% p.a. (Chart 12). The weakening of competition among banks for client funds, associated with both the slowdown in lending activity and the easing of requirements for compliance with liquidity ratios,[6] also helped reduce deposit rates. In addition, some of the major market players were able to cut their welcome bonuses. According to flash indicators, deposit rates continued to tend downwards in March, with more noticeable decreases in the segment of three- to six-month deposits. The FRG100[7] index lost 0.5 pp over the month (Chart 13).

- **Corporate loan rates.** In February, interest rates on loans to non-financial organisations were down following the decrease in yields in financial markets in January (Chart 12). Concurrently, interest rates on short-term loans lowered by 3.2 pp to 20.6%. This was close to the values of September–October 2024 when monetary conditions had not yet been tightened significantly due to the key rate path expectations and the limiting effect of the LCR on banks had not manifested itself. Interest rates on long-term loans drifted down to 16.6% after 17.2% in January but remained at a level exceeding the values of November–December 2024. The level of interest rates on long-term loans to non-financial

[5] Interest rates on short-term deposits (for up to one year except for sight deposits), short-term loans (for up to one year), and long-term deposits and loans (for over one year).

[6] See Monetary Conditions and Monetary Policy Transmission Mechanism No. 2 (32), February 2025.

[7] The average interest rate of the 85 largest deposit banks on one-year deposits worth at least ₽100,000, according to the information agency Frank RG.

organisations was affected, among other things, by a decline in the percentage of transactions on non-market terms after the provision of a significant amount of budget funds in late 2024–early 2025.

- **Retail loan rates.** Interest rates on short-term loans to individuals remained high in February, equalling 28.4% after 29.1% in January. High retail lending rates also demonstrate that banks continue to apply tough approaches to selecting borrowers and assessing risks. Interest rates on long-term loans to individuals fell to 20.2% per annum in February from 22.4% in January due to the seasonal recovery in mortgage lending amid the reduction in the unsecured consumer lending market (Chart 12). The weighted average rate on ruble-denominated housing mortgage loans lowered by 0.5 pp in February owing to the rise in the share of subsidised mortgage transactions in the market turnover to 7.7% p.a., which was close to the lowest values since the beginning of 2023.

Growth rates of credit and deposit aggregates

- **Retail deposits.** Deposit rates remained attractive despite the decline and continued to support the households' propensity to save. In February, the portfolio of household ruble deposits added 2.0% after a seasonal decrease in January. The increase was mainly driven by short-term deposits. Transferable deposits grew again in February but more moderately compared to February 2024, due to which their annual growth rate slowed. As a result, the annual growth rate[8] of household ruble deposits[9] lowered to 29.9% from 30.9% in January (Chart 14). As for foreign currency deposits, their balances edged up again but their portion in total household deposits hit a new historical low of 5.5% due to the ruble's strengthening in February.

According to recent data, the ruble deposit portfolio growth slowed in March. Even after the decline, nominal deposit rates exceeded both actual inflation and inflation expectations.[10] In these circumstances, in the near future, supply will continue to grow mainly owing to household deposits. Their growth rates will primarily depend on the overall dynamics of lending to the economy and other sources of money supply.

- **Banking system's claims on organisations.** In February, the slowdown in growth of claims on organisations was comparable to that in January, with the annual increase of such claims declining to 16.8% from 17.9% in January (Chart 15). Ruble claims on organisations rose moderately, which partially corresponded to the increased economic activity[11] compared to January. The slowdown in corporate lending was still affected by fiscal expenditures of late 2024–early 2025, which resulted in the lower growth of claims on organisations in February 2024 than one year ago. According to recent data, claims on organisations increased moderately in March. The corporate lending dynamics continued to imply a general slowdown in lending activity compared to the same periods of 2023–2024.

- **Banking system's claims on households.** The increase in claims on households continued to slow in February. By the end of the month, their annual growth rate was 7.4% after 8.6% in January

[8] Hereinafter, increases in balance sheet indicators are calculated based on the Depository Corporations Survey as of the relevant reporting date. Increases in foreign currency claims and deposits are calculated in US dollar terms. Where increases in the indicators 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.

[9] Hereinafter, household deposits include transferable and other deposits in accordance with the Depository Corporations Survey Methodological Notes.

[10] See Inflation Expectations and Consumer Sentiment No. 2 (98), February 2025.

[11] According to the Bank of Russia's Monitoring of Businesses in February 2025.

(Chart 15). Non-mortgage lending[12] was steadily slowing and equalled 5.9% YoY after 8.0% in January. Nevertheless, in the mortgage segment, the decrease in annual growth rates was weaker than in the previous month amid a seasonal recovery in the market turnover. In February, the issue of ruble mortgage housing loans rose to ₽227 billion after ₽127 billion in January (Chart 16). As a result, annual growth in the mortgage housing loan portfolio decreased to 8.9% in February from 9.1% in January. According to recent data, the increase in claims on households was close to zero in March.

Growth rates of monetary aggregates

- **Money supply.** In February, growth of monetary aggregates slowed down. In January, annual growth rates of money supply in national definition (M2) and broad money (M2X), adjusted for foreign currency revaluation, fell to 18.4% and 14.9% from 19.2% and 15.5%, respectively (Chart 18). The slower growth of claims on the economy – a key source of money supply – shaped the dynamics of monetary aggregates. According to recent data, the current trends in the dynamics of monetary aggregates were also observed in March.

- **Sources of money supply.** In February, annual growth in the banking system' claims on the economy[13] equalled 14.1% after 15.2% in the previous month. As a result of the slower lending activity in the retail and corporate segments, the contribution of claims on the economy to money supply growth fell to 15.6 pp from 16.9 pp in January. The contribution of fiscal operations to money supply remained close to the January level and amounted to 2.8 pp, which was due to continued advance payments under state contracts. According to recent data, the contribution of fiscal flows was negative in March.

- **Components of money supply.** In February, like in the previous months, the major part of the growth in money supply (11.6 pp) was due to household ruble deposits. Cash in circulation outside the banking system (M0) decreased in February, making a near-zero contribution to the change in money supply.

[12] Increases in loan portfolio indicators are calculated based on the acquired claims according to the reporting data of operating credit institutions, recorded in the State Register as of the relevant reporting date. Where increases in the indicators comprising foreign currency and ruble components are calculated herein, the growth of the foreign currency component is converted into rubles using the period average exchange rate of the US dollar against the ruble.

[13] 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 March, the ruble strengthened further against major foreign currencies. This trend had been observed since the beginning of the year (Table 3).

This was mainly associated with a decrease in the Russia's country risk premium due to the expectations of improvements in the geopolitical environment and a possible easing of foreign trade restrictions, as well as an increase in the trade surplus.

The ruble was also supported by the weakening of the US dollar in global markets owing to an expected acceleration in US inflation amid the new tariff policy of the US administration.

Monthly average exchange rates rose by 7.4% against the US dollar, by 4.4% against the euro, and by 6.5% against the Chinese yuan.

In January, the USD/RUB exchange rate spread calculated based on the over-the-counter quotations and the cross rate calculated using USD/CNY and USD/CNH exchange rates remained volatile and ranged from -0.5% to 2.8%.

Significant fluctuations of the spread were largely attributed to liquidity flows between individual segments of the FX market.

RUBLE EXCHANGE RATE *Table 3*

	USD/RUB (Bank of Russia)	EUR/RUB (Bank of Russia)	CNY/RUB (Moscow Exchange)
31.03.2025	83.68	89.66	11.68
28.02.2025	87.70	92.04	12.12
Change, %	-4.58	-2.59	-3.65
Average for March	86.10	92.71	
Average for February	92.93	97.00	12.59
Change, %	-7.87	-7.40	-13.84

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 gained 8.0% in February (strengthened by 4.8% YoY). In March, the REER was up by 10.8% MoM and significantly exceeded its multi-year median (+12.2% vs the median of January 2015–February 2025), according to preliminary data.

- **Russian stock markets**

The Russian stock market declined as of the end of March. The Moscow Exchange Index equalled 3,013 p (-6% MoM), while the Russian Volatility Index (RVI) was 48 p (+4 p MoM) as of the end of the month.

Results of trading sessions showed that the index had been continuously weakening since 19 March. The index dynamics were under the impact of unrealised expectations of a rapid improvement in the geopolitical environment, expectations of new sanctions, the situation in the global stock market, as well as the moderately tough signal maintained by the Bank of Russia regarding the further key rate movements.

The sectoral stock indices demonstrated the largest declines in construction and IT (-10% MoM and -9% MoM, respectively) as well as in the electric power sector (-8% MoM) as of the end of the month.

- **Foreign markets**

The GDP-weighted average policy rate in advanced economies (AEs) decreased again in March (-9 bp to 3.29%).

A number of countries continued the cycle of monetary policy easing, including the euro area (-25 bp to 2.5%), Canada (-25 bp to 2.75%), and Iceland (-25 bp to 7.75%).

The weighted average rate in emerging market economies (EMEs) demonstrated the opposite dynamics due to Brazil (+100 bp to 14.25%), Kazakhstan (+125 bp to 16.5%), Uzbekistan (+50 bp to 14.0%), and Ghana (+100 bp to 28.0%).

Contrastingly, policy rates were cut in Mexico (-50 bp to 9.0%) and Turkey (-250 bp to 42.5%).

In general, most global central banks took a pause, maintaining the February level of base rates.

As of the end of March, the average monthly yield curve of UST was down for all maturities as in the previous month (Table 4).

This happened amid slowing growth in consumer prices (the CPI was 0.22% in February MoM and 0.47% in January MoM) as well as due to the protectionist policy of the US administration. The market expected that import duties on goods from a number of countries could lead to a recession in the US economy.

In March, European bond yields were rising moderately (+10–30 bp on average for all maturities).

The dynamics of yields mainly depended on the approval of additional defence expenditures by the European Commission.

ECB representatives also said that they would most likely take a pause at the April meeting.

UST YIELD CURVE *Table 4*

Maturity	2Y	5Y	10Y
31.03.2025	3.89	3.96	4.23
28.02.2025	3.99	4.03	4.24
Change, bp	-10	-7	-1
Average for March 2025	3.97	4.04	4.28
Average for February 2025	4.21	4.28	4.45
Change, bp	-24	-24	-17

Sources: Cbonds, Bank of Russia calculations.

The US dollar index (DXY) continued to decline (-3.2% to 104.2 p). In March, most EMEs' currencies appreciated against the US dollar (BRLUSD: -3.0%; CNYUSD: -0.2%; TRYUSD: +4.0%; MXNUSD: -0.3%). The exception was Turkey, whose national currency weakened due to increased political tensions in the country.

As of the end of March, global stock markets in most countries were under pressure (S&P 500: -5.8%; Stoxx 600: -4.2%; Nikkei 225: -4.1%; SSE Composite: +0.5%; Nifty 50: +6.3%; MSCI ACWI: -4.1%). The introduction of higher-than-expected tariffs by the US administration provoked a further wave of sell-offs in global markets in early April.

Investors fear that retaliatory measures by a number of countries will further hurt economic growth in different regions of the world and reduce the potential of the global economy.

Charts and tables

IN MARCH, CASH DYNAMICS AND CHANGES IN RRS LED TO AN INFLOW OF LIQUIDITY, WHILE FISCAL OPERATIONS – TO ITS OUTFLOW *Table 5*

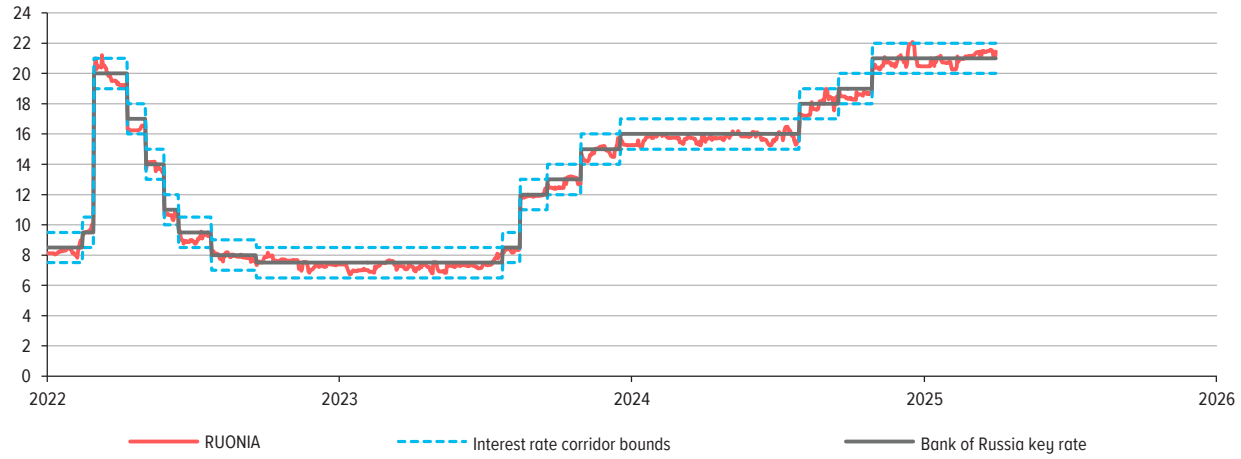
(₽ TN)

	2024	January–March 2025	March 2025	2025 (forecast)
Liquidity deficit (+)/surplus (-) (as of beginning of period)	**0.0**	**0.6**	**-1.1**	**0.6**
Liquidity inflow (+)/outflow (-):	-0.6	1.9	0.2	[-1.8; -1.0]
– change in balances of general government accounts with Bank of Russia and other operations*	0.4	0.8	-0.1	[-0.6; -0.4]
– change in cash in circulation	-0.2	1.0	0.2	[-0.7; -0.3]
– change in RRs	-0.8	0.0	0.1	[-0.5; -0.3]
Liquidity deficit (+)/surplus (-) (as of end of period)	**0.6**	**-1.3**		**[1.6; 2.4]**

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

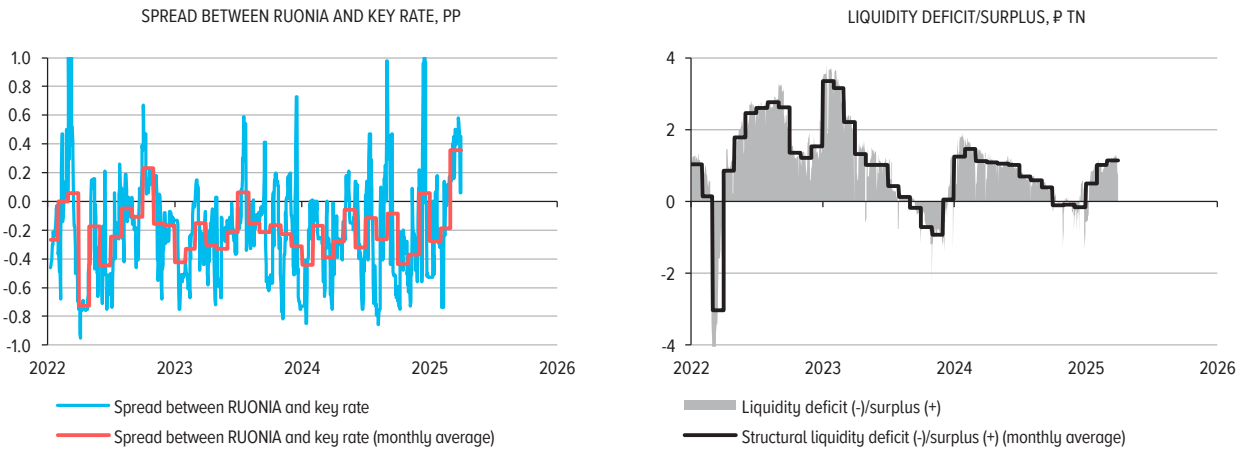
RUONIA *Chart 6*

(%)



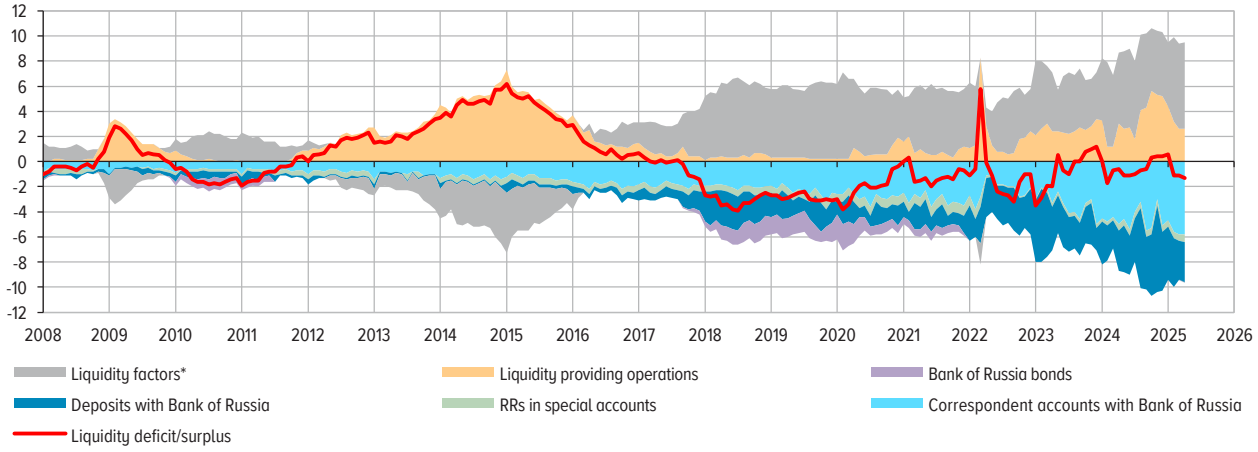
Source: Bank of Russia calculations.

SPREAD BETWEEN RUONIA AND KEY RATE TURNED POSITIVE IN MARCH *Chart 7*



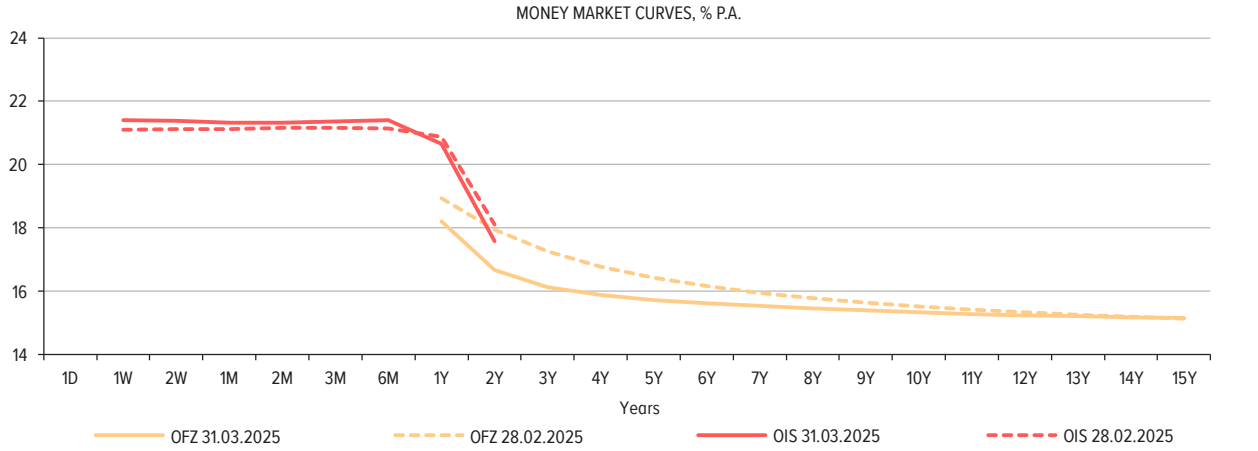
Source: Bank of Russia calculations.

BANK OF RUSSIA'S BALANCE SHEET *Chart 8*
(₽ TN)



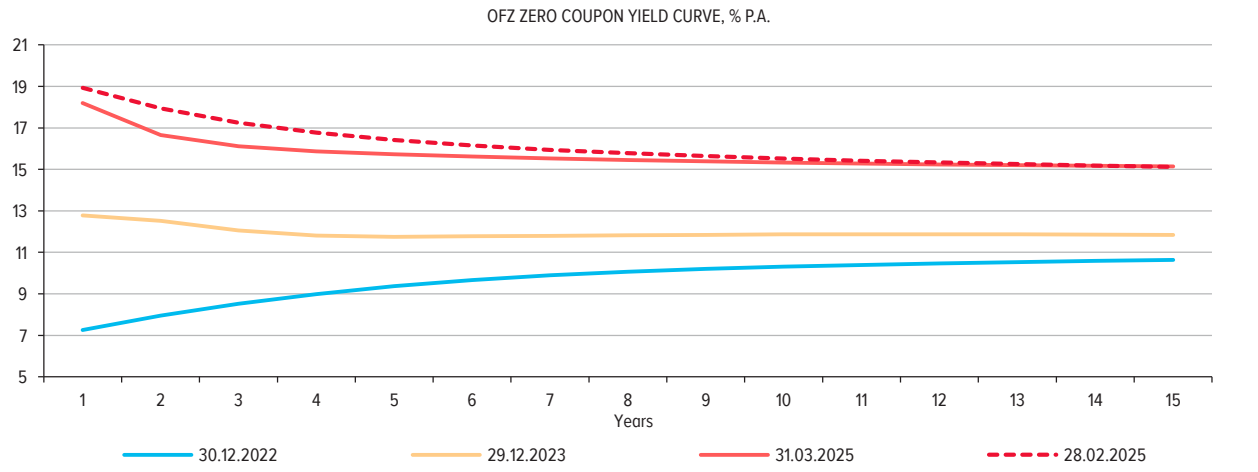
** This item is balancing and comprises changes in all other, not differentiated, items of the Bank of Russia's balance sheet.*
Source: Bank of Russia calculations.

IN MARCH, MONEY MARKET RATES WERE UP IN SHORT-TERM SEGMENT AND DOWN IN LONG-TERM ONE *Chart 9*



Sources: Moscow Exchange, National Finance Association.

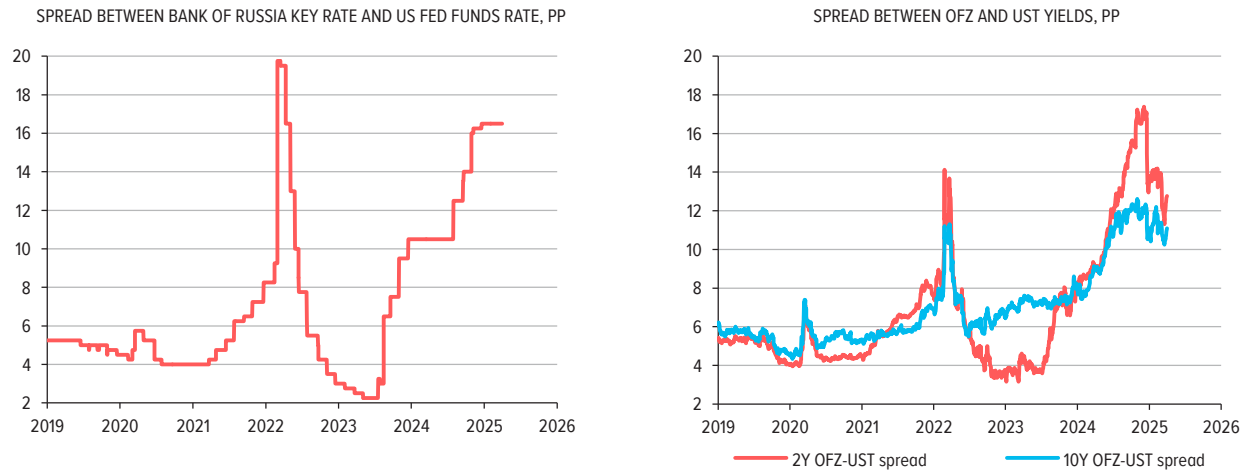
OFZ CURVE FOR MATURITIES OF ONE YEAR AND MORE DECREASED *Chart 10*



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

SPREAD BETWEEN RUSSIAN AND US GOVERNMENT BOND YIELDS NARROWED

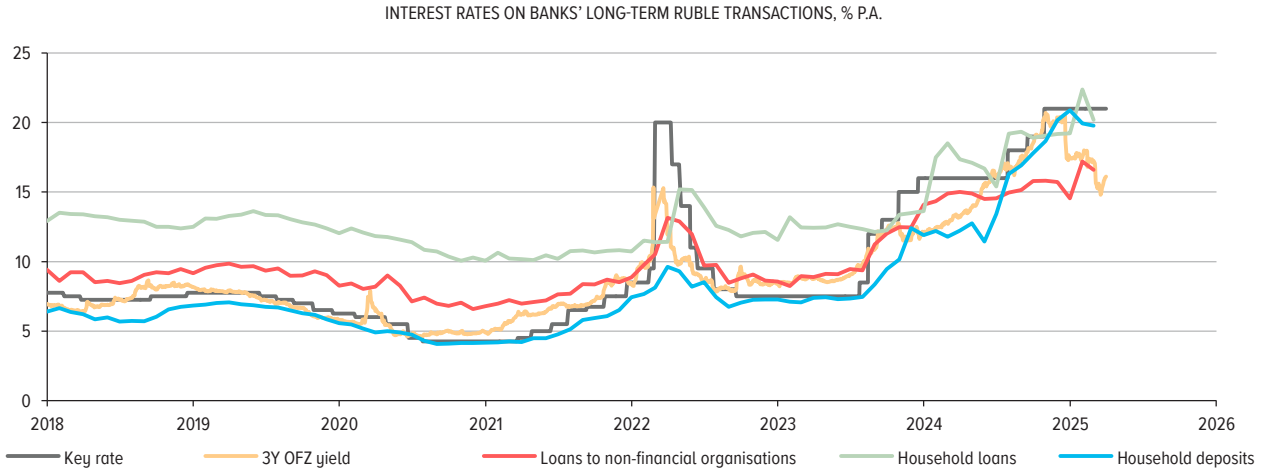
Chart 11



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

DEPOSIT RATES CONTINUED TO DRIFT DOWN IN FEBRUARY

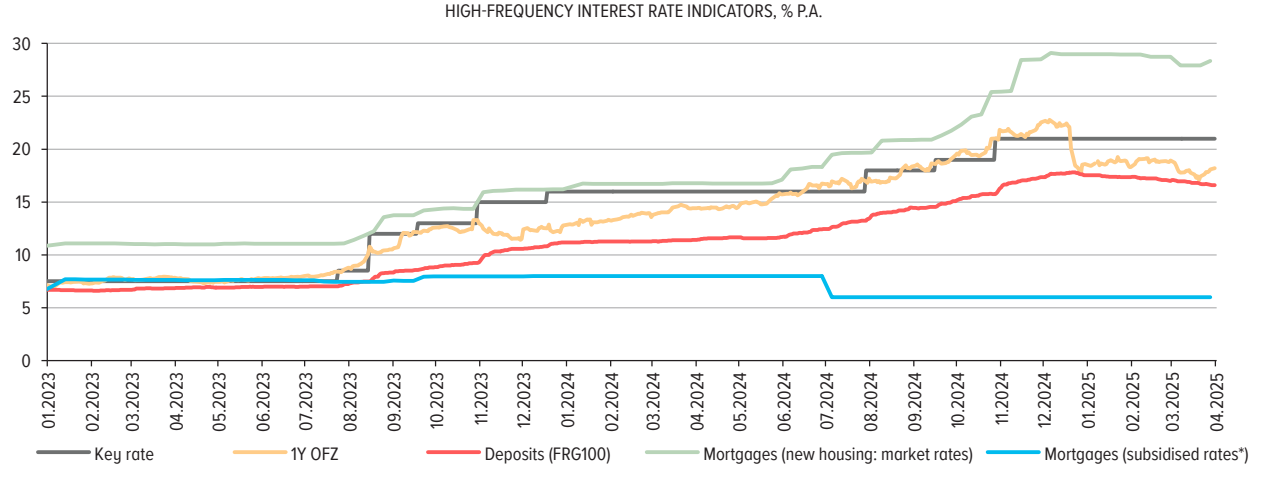
Chart 12



Source: Bank of Russia.

DEPOSIT RATES DECLINED IN MARCH, ACCORDING TO HIGH-FREQUENCY INDICATORS

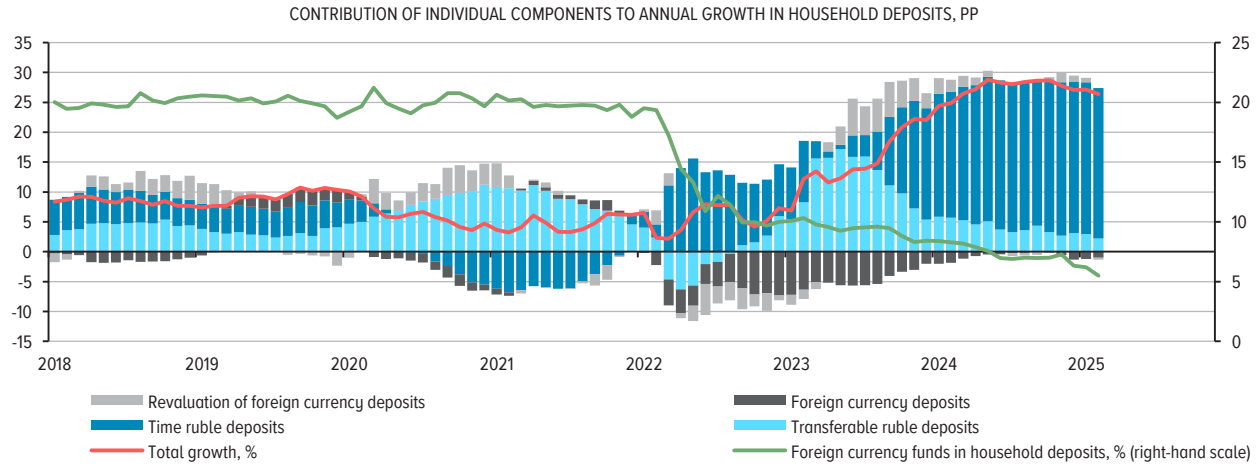
Chart 13



** 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.

HOUSEHOLDS WERE ACTIVELY OPENING RUBLE TIME DEPOSITS IN FEBRUARY

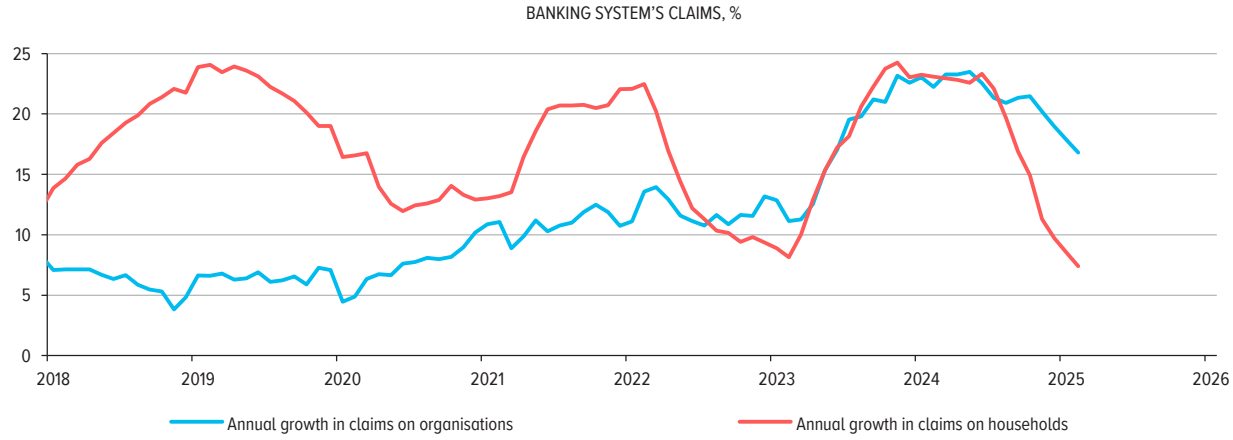
Chart 14



Source: Bank of Russia calculations.

GROWTH IN CLAIMS ON ECONOMY CONTINUED TO SLOW IN FEBRUARY

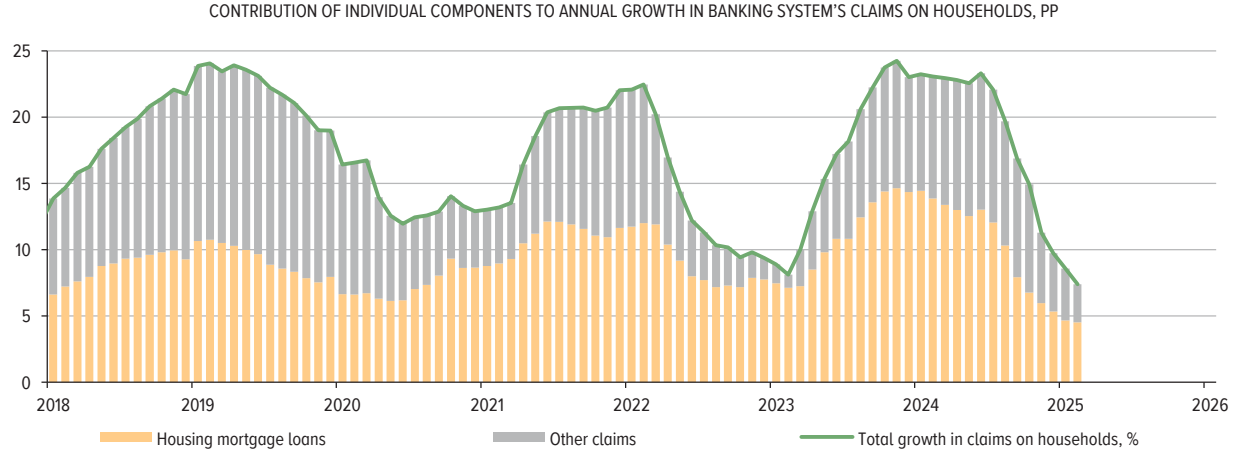
Chart 15



Source: Bank of Russia calculations.

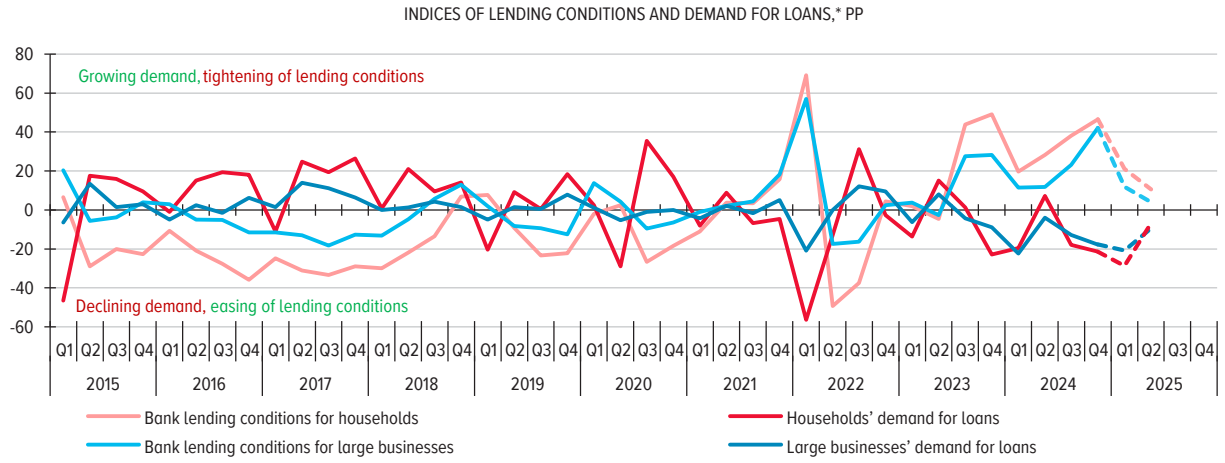
ANNUAL GROWTH RATES IN RETAIL LENDING SEGMENTS DECREASED

Chart 16



Source: Bank of Russia calculations.

BANK LENDING CONDITIONS TIGHTENED SIGNIFICANTLY IN 2024 Q4 *Chart 17*



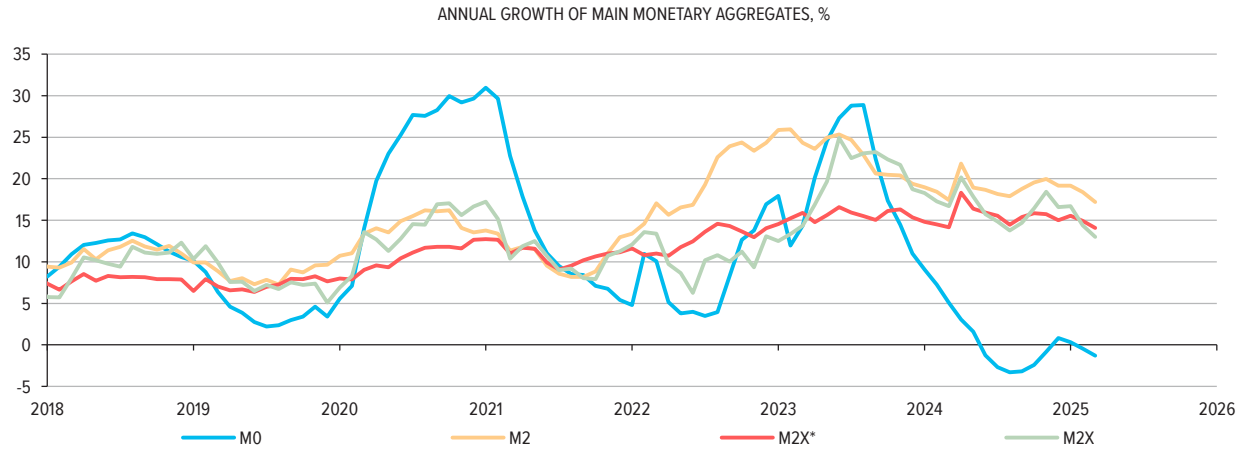
** The dotted lines signify respondent banks' expectations regarding changes in lending conditions and demand for loans in 2024 Q4.*
Source: Bank of Russia.

CREDIT AND DEPOSIT MARKET INDICATORS *Table 6*

		November 2024	December 2024	January 2025	February 2025
Interest rates on banks' long-term ruble transactions					
household deposits	% p.a.	20.2	20.9	19.9	19.8
household loans	% p.a.	19.2	19.2	22.4	20.2
corporate loans	% p.a.	15.7	14.6	17.2	16.6
Household deposits	**% YoY, AFCR**	**27.8**	**27.1**	**27.1**	**26.4**
in rubles	% YoY	30.9	31.0	30.9	29.9
in foreign currency	% YoY	-6.4	-15.0	-13.7	-12.3
share of foreign currency	%	7.3	6.3	6.2	5.5
Claims of banking system on economy	**% YoY, AFCR**	**17.6**	**16.3**	**15.2**	**14.1**
on businesses	% YoY, AFCR	20.2	19.0	17.9	16.8
on households	% YoY, AFCR	11.3	9.7	8.6	7.4
Money supply (M2)	**% YoY**	**20.0**	**19.2**	**19.2**	**18.4**
Broad money (M2X)	**% YoY, AFCR**	**15.7**	**15.0**	**15.5**	**14.9**

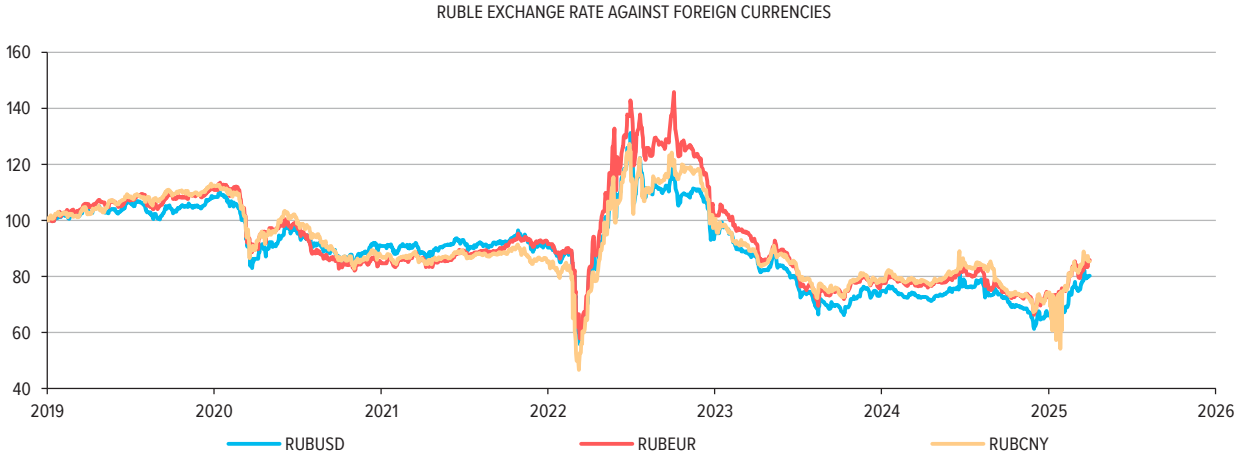
Note. YoY – year-on-year, AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for foreign currency revaluation.
Source: Bank of Russia calculations.

GROWTH IN MONETARY AGGREGATES SLOWED IN FEBRUARY–MARCH *Chart 18*



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

IN MARCH, RUBLE APPRECIATED AGAIN DUE TO DECREASING GEOPOLITICAL TENSIONS *Chart 19*
(02.01.2019 = 100)



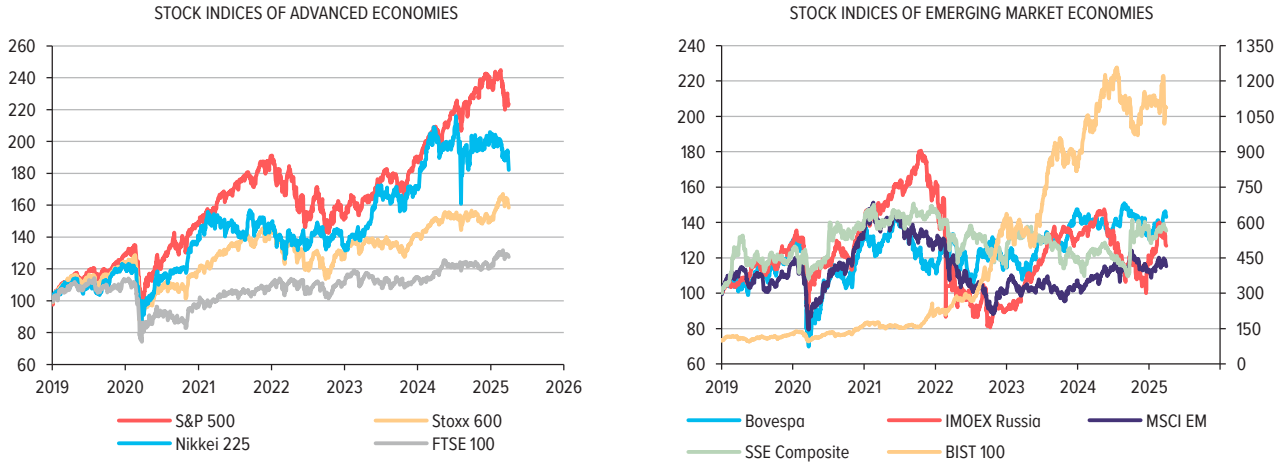
Sources: Cbonds, Bank of Russia calculations.

RUSSIAN FINANCIAL MARKET DEMONSTRATED DIVERSE DYNAMICS *Table 7*

Indicator		31.03.2025	1M	3M	6M	YTD	1Y
Russian financial market ('+' – positive trends, '-' – negative trends)							
RUB/USD exchange rate		83.68	4.6	15.7	9.7	17.7	9.6
MOEX Russia Index		3 013	-5.8	9.3	5.5	4.5	-9.0
RTS Index		1 110	-2.8	28.5	15.0	24.3	-1.6
Government bond yields		15.74	-24	-30	-122	-30	250
Corporate bond yields		22.26	36	-91	191	26	688
Regional bond yields		18.97	-17	-126	4	-83	480
RVI		48	4	13	17	13	26
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US Dollar Index	104.21	-3.2	-3.5	3.4	-3.9	-0.3
	Euro	1.08	4.2	3.7	-2.9	4.4	0.3
	Japanese yen	149.98	-0.4	-5.0	4.4	-4.7	-0.9
	Pound sterling	1.29	2.7	2.7	-3.4	3.2	2.3
EMEs	Ruble	83.00	7.1	21.5	10.6	27.0	9.5
	Brazilian real	5.71	3.0	7.8	-4.7	7.7	-13.8
	Mexican peso	20.47	0.3	-0.7	-4.0	1.8	-23.1
	Chinese yuan	7.26	0.2	0.6	-3.4	0.6	-0.4
	Turkish lira	37.95	-4.0	-7.9	-11.0	-7.3	-17.3
	South African rand	18.33	2.0	1.9	-6.1	2.9	3.2
10Y bond yields (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	US	4.23	-1	-39	42	-35	3
	Germany	2.74	33	34	61	37	44
	Japan	1.49	11	-315	64	-308	77
	UK	4.68	20	357	68	359	75
EMEs	Russia	15.33	-19	-11	-52	10	216
	Brazil	14.95	-6	32	267	-19	402
	Mexico	9.69	-15	-114	37	-72	8
	China	1.88	10	18	-30	21	-37
	Turkey	31.21	351	186	272	406	444
	South Africa	10.61	8	157	176	157	-28
5Y CDS spreads (bp, change in bp, '+' – increase, '-' – decrease)							
AEs	US	37	3	8	2	8	1
	Germany	14	1	0	3	0	3
	Japan	17	1	-3	-2	-3	-2
	UK	21	2	0	-1	0	-9
EMEs	Brazil	178	4	-24	32	-29	46
	Mexico	130	14	-2	15	-6	42
	China	54	6	-11	-6	-12	-18
	Turkey	307	59	56	50	54	15
	South Africa	227	32	37	51	35	-27
Stock indices (p, % change, '+' – increase, '-' – decrease)							
AEs	S&P 500	5 612	-5.75	-6.0	-2.6	-4.6	6.8
	Stoxx 600	534	-4.18	5.3	2.1	5.2	4.1
	Nikkei 225	35 618	-4.14	-11.6	-6.1	-10.7	-11.3
	FTSE 100	8 583	-2.58	5.3	4.2	5.0	7.9
EMEs	MSCI EM	1 101	0.38	1.7	-5.9	2.4	5.9
	Bovespa	130 260	6.08	8.3	-1.2	8.3	1.7
	IPC Mexico	52 484	0.21	6.4	0.0	5.9	-8.5
	SSE Composite	3 336	0.45	-1.9	0.0	-0.5	10.8
	BIST 100	9 659	0.01	-3.7	-0.1	-1.7	6.4
	FTSE/JSE	88 637	3.14	4.6	2.4	5.4	18.9

* *Advanced economies.*
Sources: Moscow Exchange, Cbonds, Bank of Russia calculations.

STOCK INDICES SHOWED DIVERSE TRENDS IN MARCH *Chart 20*
(02.01.2019 = 100)



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

Data cut-off dates:

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

This commentary was prepared by the Monetary Policy Department.

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