



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.

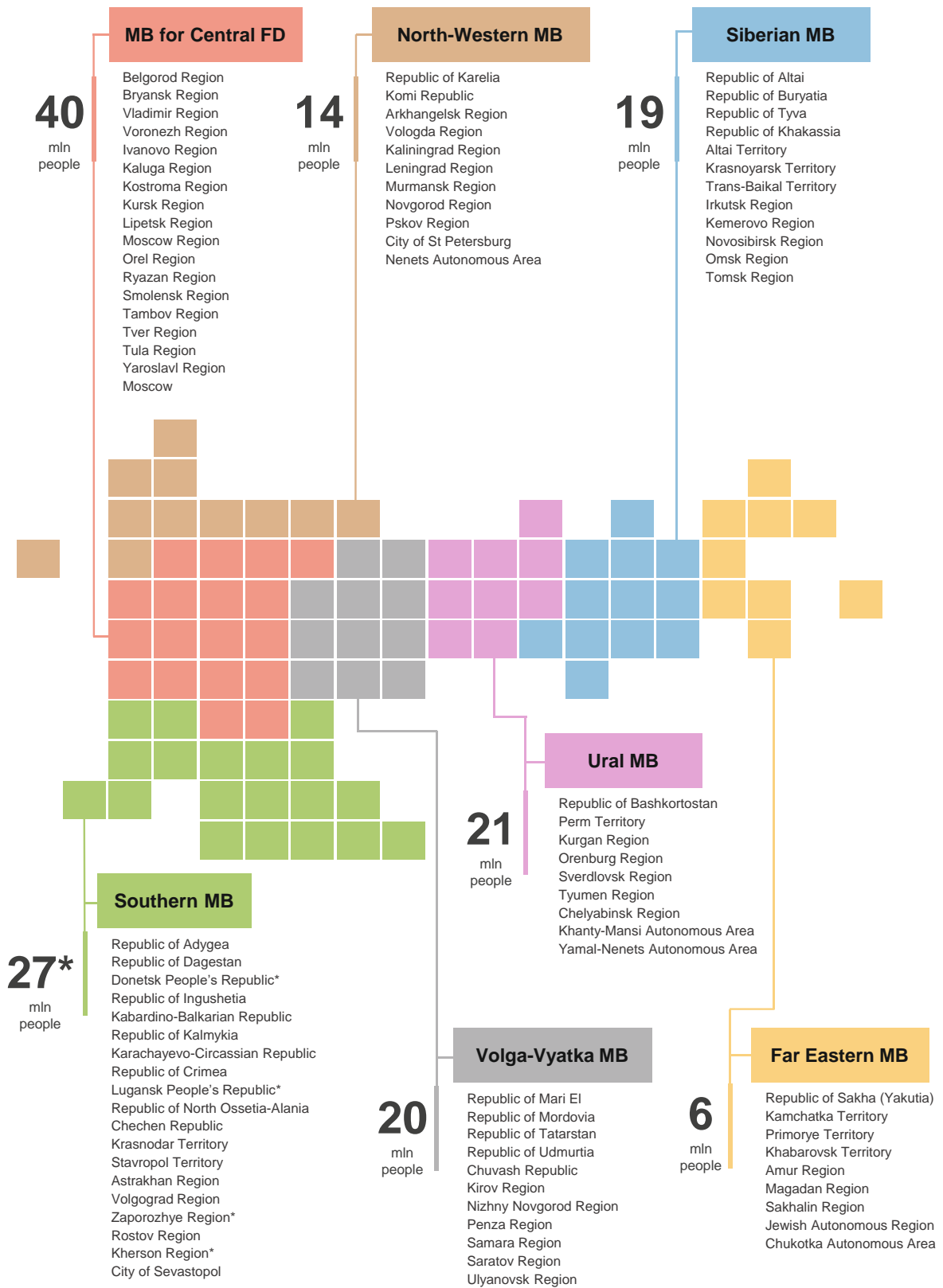
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson 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 entrepreneurs' associations. Along with this descriptive 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 countrywide 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 April 2024, we surveyed 12,717 companies.

RUSSIAN FEDERATION

Most macro-regions registered higher economic activity in February–March 2024. Amid high domestic demand, manufacturers ramped up output and expanded the range of their products. Increased staff shortages limited the opportunities for further output growth and pushed up companies' costs. Consumer activity was up. Price growth slowed down in March 2024, while underlying components of inflation were still elevated. Monetary conditions remained tight and increased the household propensity to save.

Economic activity trended upwards. Central Russia and Siberia registered higher output and a broader range of household appliances and electronics, including IT equipment, as a result of the import substitution. Ural-based machine builders ramped up output of import-substituting products. North-Western shipbuilders increased the production of civilian ships owing to high domestic demand and government support programmes. The production of furniture in the Volga Region was at multi-year highs. The expansion of production capacities of agricultural enterprises helped ramp up food output in the South of Russia. Favourable weather conditions and increased fishing quotas boosted fishing in the Far East.

The expansion of crop areas, the good condition of winter crops and favourable weather conditions for spring crops underlie optimistic harvest forecasts this year. The sowing campaign is progressing faster than last year in the South and in Central Russia. Agricultural enterprises have sufficient stocks of seeds, mineral fertilisers, plant protection products, machinery, as well as fuels and lubricants (see Box 1 *'Agricultural companies prepare for spring sowing campaign'*).

The tightness in the labour market increases. Unemployment is at its record low. Companies increase labour productivity and improve production processes. (See Box 2 *'Regional labour markets'*).

Consumer activity was up in all the macro-regions. Most macro-regions increased car sales. The demand for cars was fuelled by discounts and special offers from car manufacturers and dealers. Increased domestic tourist flow coupled with elevated demand for passenger transport services additionally boosted consumption.

Monthly consumer price growth (seasonally adjusted) slowed down in March in all the macro-regions. The deceleration was mostly due to volatile components. The growth rates of the underlying component of inflation remained elevated. The major proinflationary factor was still high domestic demand. Its level continued to exceed companies' capacities to expand supply. Across Russia as a whole, businesses' price expectations dropped in March and edged up in April amid diverse regional and sectoral dynamics.

In March, monetary conditions remained tight. Owing to modified parameters of government subsidised programmes and high market rates, mortgage growth slowed down almost in all the macro-regions. The inflow of household funds into time deposits continued.

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Industrial production in the macro-region increased faster than across Russia on average owing to growing output of food, computers and electronic devices, as well as metal products, machinery, and equipment. Domestic tourism still supports services, including transport services. Companies' price expectations in the macro-region remain elevated.

NORTH-WESTERN MAIN BRANCH. Consumer activity continued to go up. Production growth in the chemical industry exceeded the countrywide rate. Shipbuilders upgraded their production capacities, as they had a large number of orders. Increasing volumes of housing construction and the implementation of investment projects boosted output of construction and finishing materials.

VOLGA-VYATKA MAIN BRANCH. A surge in output of investment goods, in particular construction materials, significantly contributed to the expansion of industrial production. Companies' price expectations increased in March–April. Real wages were rising somewhat faster than across Russia as a whole amid substantial staff shortages.

SOUTHERN MAIN BRANCH. Consumer activity was up. Its dynamics were supported by increasing tourist traffic and growth in consumer and mortgage lending which was higher than across Russia as a whole. The volume of work performed in the construction sector was down, primarily owing to the contracting commissioning of apartment buildings. In such conditions, lower growth in output of construction materials and metal products was the main reason why industrial output was lagging behind that across Russia as a whole.

URAL MAIN BRANCH. Increasing wages supported growth in consumer activity. Oil production edged down while gas production increased. Capacity utilisation rates of individual oil refineries were up ensuring stable supplies of fuel to the domestic market. The area of housing under construction increased. The volume of housing commissioned grew at a pace higher than across Russia as a whole.

SIBERIAN MAIN BRANCH. Consumer activity was up, but its growth was lagging behind the nationwide pace owing to more moderate dynamics of households' income. The decline in industrial production in February was followed by a surge, driven by the key sectors of the Siberian economy, namely metallurgy, wood and oil processing, which increased supplies to the domestic market. The current volumes of construction works are below the levels of January–February 2023. However, housing commissioning is still growing faster than across Russia as a whole.

FAR EASTERN MAIN BRANCH. Consumer activity was up. Housing construction expanded faster than across Russia as a whole owing to integrated development projects and government subsidised mortgage programmes. An increase in coal supplies pushed up growth in cargo loading on the Far Eastern Railway amid nationwide downward trends. However, since the Eastern railway section was prioritised for coal transportation, the cost of railway transportation of containers to the Far East grew three times.

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	Mar24	7.7	7.6	7.4	7.3	7.8	7.5	8.6	8.4
Core inflation	% YoY	Mar24	7.8	7.8	7.5	7.4	7.9	7.4	8.7	8.9
Industrial production	3MMA, % YoY	Feb24	5.0	15.3	6.9	8.4	0.0	1.9	1.2	4.0
Fixed capital investment	Cumulative, % YoY	2023 Q4	9.8	3.6	4.3	18.3	8.1	5.0	5.3	19.4
Construction	3MMA, % YoY	Feb24	7.0	9.3	4.2	5.0	-6.7	7.1	-3.1	7.1
Housing commissioning	3MMA, % YoY	Feb24	27.3	23.4	7.2	30.6	34.6	25.7	48.7	25.0
Retail	3MMA, % YoY	Feb24	10.5	12.4	11.2	10.3	9.3	9.7	9.4	7.0
Commercial services	3MMA, % YoY	Feb24	5.9	9.3	6.4	4.7	3.4	3.9	2.0	3.5
Real wages	3MMA, % YoY	Jan24	8.1	9.2	5.8	10.8	6.2	7.6	7.1	5.1
Real disposable income	% YoY	2023 Q4	6.8	8.0	4.2	7.4	5.3	5.1	2.6	1.7
Unemployment	% SA	Feb24	2.9	2.1	2.5	2.0	5.1	2.3	3.2	2.8
Outstanding consumer loans ²	% YoY	Feb24	17.4	16.4	14.2	19.7	21.8	18.0	16.5	13.5
Outstanding mortgage loans	% YoY	Feb24	28.8	24.3	22.2	30.7	40.9	30.7	31.7	31.2
Funds in escrow accounts	% YoY	Feb24	41.1	28.8	24.6	50.2	109.7	70.8	66.2	40.4
Non-financial organisations' outstanding bank loans	% YoY	Feb24	23.5	21.9	33.6	17.6	18.5	18.2	29.8	33.4
• Large borrowers	% YoY	Feb24	22.4	22.0	34.2	11.3	4.2	13.5	34.9	35.3
• SMEs	% YoY	Feb24	28.3	21.6	30.0	32.4	48.7	43.0	15.8	25.7
Companies' price expectations ³	Balance of responses, SA	Apr24	19.9	25.3	24.7	27.1	18.9	20.8	23.5	15.7
Business Climate Index	SA, pp	Apr24	10.1	7.7	4.6	13.1	10.4	9.2	12.8	8.3
• Current estimates	SA, pp	Apr24	3.4	2.3	-2.8	5.2	1.1	3.2	3.7	3.3
• Expectations	SA, pp	Apr24	17.1	13.3	12.3	21.2	20.2	15.5	22.4	13.3

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

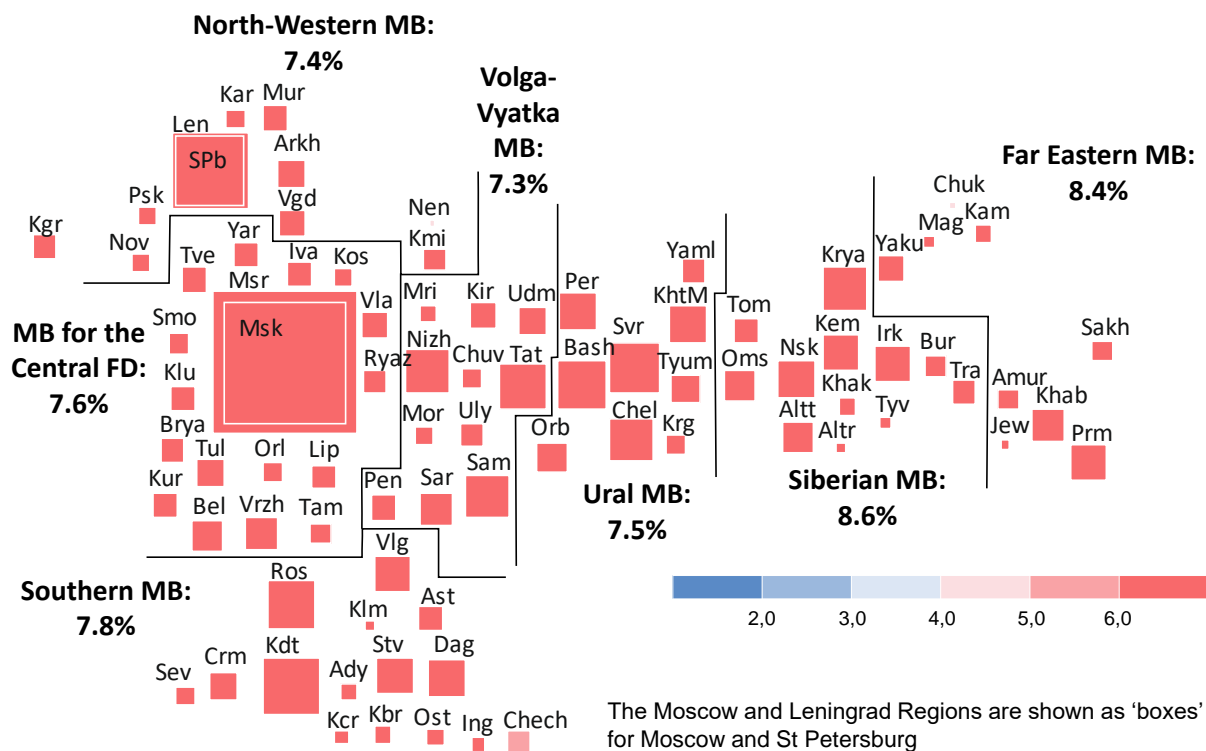
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis, since they enable the aggregation of indicators by 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 March 2023, % YoY

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



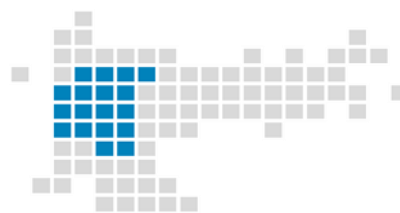
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

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 Adygea	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	Crm	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	Mos	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	Khav	Khabarovsk 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	YamI	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–March 2024, consumer activity was up vs the beginning of the year. In March, inflation slowed down. In April, price growth accelerated again according to weekly data. Companies' price expectations remained elevated. In February, the mortgage market continued to cool owing to the modified parameters of government subsidised programmes and the tightening of lending conditions. Household funds in time deposits and current accounts were growing.

CONSUMPTION AND INCOMES. In February–March 2024, consumer demand in Central Russia was above the levels of the beginning of the year according to high-frequency data. Increased domestic tourism supported consumption. Demand for individual non-food products went up. Hotels were reconstructed and new ones were built in the macro-region, which boosted growth in tour offers. Coupled with a rise in airfares, this increased household demand for trips across Central Russia. The Moscow, Tver, and Vladimir Regions recorded elevated demand for holidays at health resorts. In March, sales of new cars grew in anticipation of a rise in car prices, driven by the introduction of a new scheme for calculating the recycling fee, and owing to the expansion of special offers from car manufacturers. Demand for individual durables continued to cool. Some retailers reported slower growth in sales of personal computers, laptops, and smartphones. However, retailers remained optimistic about demand.

PRICES. In March 2024, the macro-region registered a deceleration of monthly price growth (seasonally adjusted) due to a slower increase in prices for transport and tourism services, telecommunications services and medical goods, and a decrease in fruit and vegetable prices as well as car prices (the latter was caused by increasing competition). According to Rosstat weekly data, price growth accelerated again in April 2024. This primarily concerned prices for certain fruit and vegetables, meat products, sugar, construction materials, medicines, household appliances, and personal services. Companies' price expectations remain elevated in the macro-region. Higher costs pushed up price expectations in construction and agriculture in April.

MONETARY CONDITIONS AND BANKING SECTOR. Monthly growth in the corporate loan portfolio was slower in February than in 2023 H2. Manufacturing enterprises and real estate companies were the main contributors to its deceleration in annualised terms as of the beginning of March. Lending conditions continued to tighten, but less significantly than in the previous months, as assessed by enterprises. In February, the retail loan portfolio was up vs January (seasonally adjusted), driven by consumer lending. In the mortgage market, the portfolio expanded more slowly in February because of the modified parameters of government subsidised programmes, higher market rates, and tougher macroprudential requirements. The number of new government subsidised mortgage loans increased vs January, while remaining below the figures of the same period of 2023. The share of these loans in the total volume of new mortgages continues to decline. Household demand for car loans surged in February in anticipation of the introduction of the new scheme for calculating the recycling fee and car manufacturers' marketing campaigns. As deposit

rates were attractive, household funds in current accounts and time deposits were up in February vs January.

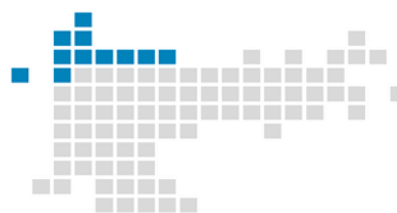
CAR PRODUCTION. In early 2024, car output was below the 2023 H2 average. Among other reasons, this was caused by enterprises adjusting their output targets, as dealers suffered from inventory gluts as a result of slower sales growth in the autumn of 2023. Individual carmakers offered discounts on some models, which led to a rebound in sales in February–March and a reduction in the number of cars in dealers’ warehouses. In the beginning of March, a large auto group in Central Russia opened an engine building plant, and now it plans to ramp up output of cars by a third in 2024. In late March, an automobile plant based in the district that had been idle started to assemble crossovers, and now it plans to switch to fully integrated production later on. Another automobile plant intends to launch a full-scale production of two new car models.

PRODUCTION OF HOUSEHOLD APPLIANCES. After declines in 2022–2023, output of household appliances in the macro-region grew in 2024 Q1 to exceed the level of 2021. Following the exit of foreign companies, domestic enterprises ramp up output and expand their range of products. A Kaluga-based enterprise started to manufacture new models of telescopic cooker hoods. A company in the Vladimir Region plans to double the output of electrical machinery by the end of 2024. Manufacturers continued to pass through to prices the costs of raw materials and components, foreign equipment maintenance, and logistics that had increased in 2023 H2. Settlements with foreign counterparties remain complicated. Major manufacturers of refrigerators and washing machines based in the Lipetsk and Vladimir Regions do not plan to expand their product lines or to ramp up output in the near future.

MANUFACTURE OF COMPUTERS AND SOFTWARE DEVELOPMENT. The regions of the district are steadily ramping up output of computers and components. In January–February 2024, output gained more than a quarter year-on-year. The district implements investment projects to manufacture server and computer equipment with yearly output targets of over 2.5 million devices in the Tver Region and up to 1.2 million devices in the Ivanovo Region. In late 2023, the Ryazan Region launched a server equipment plant with an annual output of up to 60,000 units which may account for around 10% of the Russian server market. In February–March, the Moscow Region launched the production of laptops, servers, and printers with an annual output of up to 500,000 devices and the production of solid state drives and motherboards.

The software market continues to expand. In January 2024, the turnover of software development companies increased by more than a quarter in Russia as a whole and by more than 20% in Central Russia in annualised terms. The Central Federal District, mainly Moscow, accounts for more than 70% of the turnover. Experts believe that demand for developers expands faster than labour market supply, especially the supply of highly qualified professionals. In February 2024, the number of vacancies in the IT sector in the district exceeded the figures of 2023 by 24%. In general, the situation with the lack of IT specialists, however, remains less acute as compared with specialists of other categories.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the macro-region continued to grow in February–March owing to the expansion of consumer lending, among other reasons. Companies' price expectations were up. Fertiliser manufacturers diversified their raw material resources and expanded their logistics capacities. Output of construction and finishing materials was up mainly due to higher volumes of housing construction and the implementation of investment projects.

CONSUMPTION AND INCOMES. In February and March, consumer activity in the North-West continued to expand. In the first half of March, traffic in St Petersburg shopping malls exceeded the figure of the same period of 2023. Such dynamics contributed to a decrease in the share of vacant areas in St Petersburg shopping malls in 2024 Q1. For example, clothing retailers were opening new stores most actively. In addition, more catering outlets were opened as compared with January–March 2023. According to surveys, service companies' short-term demand expectations improved, but those of retailers worsened.

PRICES. In March, annual inflation edged down in the North-West. Monthly seasonally adjusted price growth was also down, mainly driven by the dynamics of fruit and vegetable prices. According to weekly data, inflation, however, sped up in early April owing to a rise in the prices for goods demonstrating both volatile and more stable price dynamics. Companies' price expectations went up in April across all large sectors.

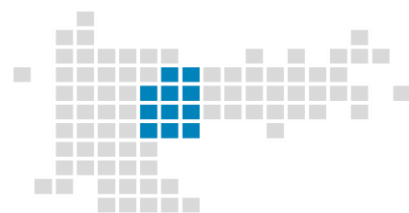
MONETARY CONDITIONS AND BANKING SECTOR. Manufacturing enterprises were the main contributors to higher annual growth of the corporate loan portfolio as of the beginning of March. Annualised growth in the retail loan portfolio slowed down. Contrastingly, consumer lending expanded. Households demonstrated greater demand for car loans. Annual mortgage growth continued to decelerate in February owing to the modified conditions of government subsidised programmes, higher market rates and tougher macroprudential requirements. However, high-frequency data showed that lending under government subsidised mortgage programmes rebounded somewhat in March. Household funds in time deposits continued to increase amid rising rates.

SHIPBUILDING AND SHIP REPAIR. In 2024 Q1, output in the shipbuilding sector in the North-West expanded, backed by government support measures and higher demand. For example, an electric vessel manufacturer in the Leningrad Region launched three passenger vessels and concluded a contract to build several more ships as part of a project to upgrade the Russian civil fleet. To implement an expanded production programme, shipbuilders upgraded the existing capacities, and some enterprises reported that they purchased new docks, including from a friendly country. Import substitution in ship repair is underway. A key ship repair company in the macro-region ramped up output of spare parts using modern technologies that had been previously applied in other industries. Individual enterprises plan to expand their product ranges. In 2024, a shipbuilder in the Republic of Karelia will start building its first specialised industrial vessels which will also be used in the Far East.

CHEMICAL INDUSTRY. The expansion of production capacities to meet elevated demand pushed up output of chemical products in the North-West in early 2024. In February, the Pskov Region launched the second production line to manufacture BOPET films. In March, the Leningrad Region put into operation a plant to manufacture recycled pellets for construction materials. Moreover, a major fertiliser manufacturer in the macro-region deployed a new facility to produce apatite ore at a field in the Murmansk Region to diversify raw material resources. Amid the increased utilisation of the rail infrastructure, a major manufacturer of mineral fertilisers in the Novgorod Region expanded its own fleet of rolling stock with new mineral wagons with improved technical characteristics. Concurrently, production activity of the Novgorod enterprise was negatively affected by restrictions on the shipment of ammonium nitrate through the port, which were imposed in February. The major manufacturer of the macro-region is currently searching for other opportunities for nitrate transshipment and shipment.

PRODUCTION OF CONSTRUCTION AND FINISHING MATERIALS. In January–February 2024, output in the sector increased. This was due to the expansion of domestic demand, mainly driven by the increased volumes of housing construction and the implementation of investment projects. Amid high consumer demand, construction retailers expanded the range of their products and submitted more supply requests. For this reason, a St Petersburg manufacturer of finishing materials, for example, plans to ramp out output of wall and facade panels 1.5 times in 2024 relative to the previous year. Enterprises of the sector are expanding their capacities backed by increasing volumes of road construction in the macro-region. For instance, the Pskov Region is completing the construction of a new asphalt plant. Moreover, North-Western enterprises continue to launch new facilities as part of import substitution. In late January, the Kalinigrad Region opened an enterprise to manufacture roofing materials. Karelia continues the construction of a plant to manufacture autoclave concrete which is to be commissioned by the end of 2024.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



Consumer activity in the macro-region was up in February–March vs January. Sales of durables increased amid expanding consumer lending. Demand for new apartments in the housing market cooled, as the volumes of and demand for individual housing construction grew. Manufacturers of construction materials were facing a number of difficulties amid higher demand for their products. Demand from the government and businesses ensured a sustainably high level of output in the furniture industry.

CONSUMPTION AND INCOMES. In February, growth in consumer activity rebounded and accelerated in March, according to recent assessments. This was driven by a noticeable increase in demand for non-food products. Car sales soared. According to dealers, demand could have been partially supported by expectations of price growth fuelled by the changes in car import rules to take effect from April as well as by discounts and special offers. Growth in sales of domestic cars could have been driven by the improvement of their configuration as well as government subsidised lending programmes. February and March saw stronger demand for clothing and footwear. Sales of home improvement goods edged up only in March. Several companies were optimistic in their assessments of construction material sales in the months to come, since they expected elevated activity in individual housing construction. Shopping malls in individual regions reported an increase in the number of visitors, which was due to the opening of new stores and entertainment events. Demand expectations in retail for the months to come continued to improve.

PRICES. In February–March, monthly price growth (seasonally adjusted) slowed down in the macro-region. This was primarily due to lower fruit and vegetable prices associated with higher imports of some fruit. The dynamics of prices for cars, household appliances, and electronics also noticeably contributed to the deceleration of the current price increase. Concurrently, services prices continued to go up quickly as growth in prices for volatile components (foreign travel and passenger transport) accelerated. In March–April, the share of enterprises planning to raise prices for their products in the months to come increased in the macro-region.

MONETARY CONDITIONS AND BANKING SECTOR. As of the beginning of March, monthly growth of the corporate loan portfolio slowed down and was below the average values registered in the same period in recent years. Consumer lending expanded more actively in February than in January. In contrast, mortgage growth (seasonally adjusted) decelerated month-on-month. The share of government subsidised mortgage loans in new mortgages issued shrank following the modification of the conditions of the relevant programmes. The monthly inflow of household funds into banks was high, which was mainly associated with an increase in balances of short-term deposits, driven by attractive deposit rates.

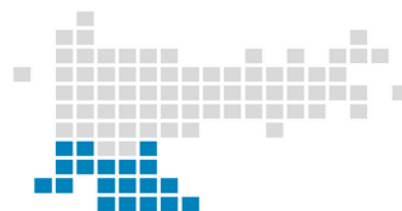
PRODUCTION OF CONSTRUCTION MATERIALS. In 2024 Q1, output grew actively in the sector, which significantly contributed to the expansion of the industrial production in the macro-region. According to the Bank of Russia's survey conducted in March, enterprises became more optimistic about output in the months to come. Producers from various regions believed that growing output

was associated with the expansion of both private and public demand. However, companies found it more difficult to meet elevated demand from buyers. For example, the time needed for construction materials to be delivered by railway significantly increased. Enterprises specified that earlier supply disruptions were observed only in summer during the construction season. To accelerate deliveries, producers partially switched to motor vehicles to deliver their products. This in turn pushed up costs and output prices. Moreover, a number of construction companies reported the exacerbation of labour shortages. In this connection, enterprises planned to increase payroll costs, engage employees from other Russian regions and countries, and lower requirements for their qualification. Concurrently, a number of enterprises planned to complete the implementation of investment projects aimed at expanding their production capacities in the near future. For example, a leading cement manufacturer expects higher demand for its products and plans to reactivate one of its plants that is idle in spring.

FURNITURE MANUFACTURE. During 2024 Q1, sectoral output remained at multi-year highs. Manufacturers reported persistently high consumer activity but expected demand to contract owing to the tightening of monetary conditions and cooling of the housing market. However, several respondents reported that they had a sufficient number of orders from the government and businesses, including hotels. In individual cases, the ruble weakening in 2023 was an additional factor supporting high business activity. It increased the competitiveness of products in the international market and helped ramp up supplies to CIS countries.

HOUSING CONSTRUCTION. During January–February 2024, the housing commissioning in Volga-Vyatka grew year-on-year, which was driven by the substantial increase in the number of individual homes under construction. Individual housing construction actively develops in the macro-region, backed by attractive prices for individual homes, while prices for apartments increase, and is accompanied by growing demand for mortgages for individual housing construction. Concurrently, according to developers, a number of regions tend to divide suburban plots into smaller ones amid high demand for them and the high-density of large city suburbs. Meanwhile, demand for new housing contracted: the volumes of housing sold decreased in February–March. A regional developer reported that it planned to suspend the implementation of several projects for up to six months owing to demand uncertainty.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



In February–March, consumer activity in the macro-region was up, driven by fast growth in wages and retail loans. The dynamics of the corporate loan portfolio was supported mainly by government subsidised programmes. Food and packaging manufacturers ramped up output and investments.

CONSUMPTION AND INCOMES. Consumer activity was up in February–March vs January 2024 and 2023. Households increased spending mostly on clothing, footwear, flowers, and cinema. Demand for cars surged in anticipation of a change in the procedure for calculating the recycling fee. The consumer demand dynamics was largely determined by accelerating growth in real wages associated with the tightness in the labour market. In addition to raising wages, companies provided incentive payments and expanded employee benefits. For example, a major manufacturer of chemical fibres in the Rostov Region implemented a system of childbirth allowances.

PRICES. Annual and monthly price growth (seasonally adjusted) remained almost unchanged in March as compared to February. Prices for chicken, beef, and mutton grew faster, driven by the higher costs of feed, equipment, and workforce incurred by livestock producers. This was also associated with a decline in the production of cattle meat in the South. However, inflation was curbed by the dynamics of fruit and vegetable prices. Vegetable supply continued to expand, as local production increased. The expansion of fruit supply was driven by imports. Companies' price expectations were up, most notably among mining and quarrying companies.

MONETARY CONDITIONS AND BANKING SECTOR. In February, annual growth in the corporate loan portfolio slowed down, while remaining elevated. The dynamics was mainly supported by demand for subsidised lending from small and medium-sized enterprises (SMEs), which was driven by new subsidised lending conditions. For example, JSC RSMB Corporation provided a special limit of suretyship with an increased risk coverage for lending to SMEs in the Republic of Crimea, Sevastopol, and the Rostov Region. The growth rates of retail lending remained high in February, with consumer lending staying at the record levels of December 2023. Although the mortgage market cooled somewhat, banks do not expect any significant contraction of demand, since borrowers switch to market programmes, and moreover, the subsidised mortgage programme for families with children is still in force. The inflow of household funds into bank deposits sped up in February amid the indexation of social payments and growing rates.

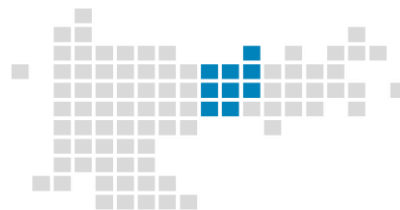
HOUSING MARKET. In March, construction companies of the macro-region reported a decline in demand. They believed that this was associated with the modified conditions of the government subsidised mortgage programmes. For example, a major developer in the Krasnodar Territory reported a twofold decrease in the number of transactions to purchase housing using borrowed funds. However, developers do not plan to cut the volume of contracted works. In particular, a federal construction company in Rostov-on-Don invested in the construction of a residential neighbourhood. Southern developers expect prices for housing under construction to rise in the months to come owing to higher prices for construction materials.

TOURISM. In March, the macro-region recorded an increase in the number of tourists as compared with March 2023. The most significant increases were registered by resorts in the North Caucasus and the Krasnodar Territory. For example, the number of tourists accepted by the Elbrus resort in the Kabardino-Balkarian Republic during the long weekend in March grew by a quarter year-on-year. The increase in the tourist traffic in Sochi was associated with the World Youth Festival held in the first ten days of March. The average level of reservations for the summer season of 2024 is somewhat higher than in 2023. Amid rising demand for ecotourism, spending holidays in glampings has become more attractive. To meet this demand, the macro-region is implementing a number of investments projects.

PACKAGING MANUFACTURE. January–February saw growth in output of most types of packaging vs the same period of 2023. There was an increase in the localisation of production of technologically complex materials (aseptic cardboard, packaging for pharmaceutical products) and components (polymers, paints, and plastic). For example, a Volgograd-based manufacturer of flexible packaging switched to using foil and film manufactured in Russia instead of supplies from friendly countries. However, there was a deficit in the cardboard market by the end of last year. This was the reason why the capacity of a plasterboard manufacturer in the Karachayevo-Circassian Republic using cardboard paper was not fully utilised. In turn, cardboard suppliers reported almost maximum utilisation rates. Companies are considering expansion of supply by launching new facilities. A major manufacturer of corrugated fibreboard in the South plans to build a new complex to substantially ramp up output. In general, to customise technological processes, packaging manufacturers actively used subsidised loans of regional support funds. Some enterprises needed more time to adapt to new processes owing to difficulties with supplies of foreign equipment. For example, after changing counterparties, a manufacturer of plastic packaging in the Krasnodar Territory had to revise its design documentation.

FOOD INDUSTRY. In January–February, the macro-region ramped up food output as compared with the same period of 2023. This was mostly driven by an increase in investment activity to finance the construction of new facilities and the reconstruction of the existing ones. For example, a major Russian agricultural holding company funded the modernisation of livestock breeding complexes and sugar plants, which brought about an increase in output of milk and sugar since early 2024. Moreover, enterprises are using government support measures. This allowed a poultry factory in the Stavropol Territory not only to ramp up output of turkey, but also to start exporting its products after the bird flu outbreak in the beginning of 2023. A company in the Rostov Region completely switched to domestically produced hatching eggs, which pushed up turkey output in the region. In March, Southern food manufacturers improved their output assessments.

BANK OF RUSSIA URAL MAIN BRANCH



In February–March, consumer activity in the Urals was up, most noticeably in the car market. Growth in consumer lending remained elevated and in mortgage lending continued to slow down. The production of oil decreased and that of gas increased. Capacity utilisation rates of individual oil refineries trended upwards ensuring stable supplies of fuel to the domestic market. The commissioning and area of apartment buildings under construction grew.

CONSUMPTION AND INCOMES. Households' consumer activity rose in February and continued to expand in March but more slowly according to high-frequency data. Concurrently, sales of cars of both domestic and Chinese makes (including localised ones) were growing faster. In March, a Tyumen-based car dealer reported that it had sold out the entire stock of cars of a popular model, as the manufacturer sharply decreased its output price, and there was a waiting list of buyers for cars from a new batch. Dealers also note an insufficient number of car transporters to meet elevated demand for cars. The average number of employees at Urals-based enterprises was up in February, however, the labour market remained very tight. Demand for low-skilled workers registered by employment agencies hit a new high and the number of officially registered unemployed persons was down. Most companies surveyed by the Bank of Russia reported persistent staff shortages. According to hh.ru, in March, the amount of wages proposed exceeded the level of 2023 by more than a third.

PRICES. Annual inflation trended upwards in the Urals in March 2024, mainly backed by elevated demand for a wide range of goods, personal and transportation services, which allowed manufacturers and suppliers to offset higher costs, including wages and logistics expenses. The decline in the monthly price growth rate (seasonally adjusted) was induced by components with high price volatility. In April, companies' short-term price expectations rebounded after a decline in the previous months (seasonally adjusted). The rebound was most significant in construction, mining and quarrying, and services. Concurrently, a decrease was recorded in agriculture and logistics.

MONETARY CONDITIONS AND BANKING SECTOR. In March, loan rates remained unchanged in general. As compared with February, household demand for loans was up, with car lending demonstrating the most dynamic growth. The increase in mortgage lending continued to slow down in part due to the tightening of the conditions of government subsidised mortgage programmes and of macroprudential regulation, and higher market rates. According to banks, the share of approved mortgage applications contracted in March. Household demand for loans was supported by higher wages and elevated inflation expectations. According to assessments, the inflow of household funds into banks remained at a high level in March. As for corporate lending, banks recorded an increase in demand from industrial production and trade companies in March.

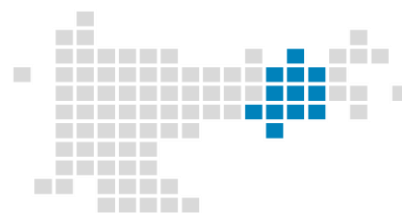
OIL AND GAS PRODUCTION. According to companies' assessments in 2024 Q1, the latest OPEC+ decision has not yet affected the level of oil production in the Urals. Concurrently, crude oil exports picked up owing to the favourable price situation in the external market. According to enterprises in Tyumen and Orenburg, they did not change their crude oil and fuel output targets or maintenance

programmes significantly. Petrol supplies were redirected to the domestic market owing to a prohibition on export. Capacity utilisation rates of oil refineries in the Republic of Bashkortostan and the Perm Territory increased in February–March. In the composition of output, the share of petrol rose and that of diesel fuel declined. According to assessments, gas production at gas fields in the Tyumen Region continued to grow in January–February, driven by expanding domestic demand. Oil and gas enterprises believe that their difficulties are mainly associated with the lack of technical and support staff, including at exploration, drilling, construction, and maintenance companies.

MACHINE BUILDING. Output in machine building remained elevated in February. This was attributable, among other things, to the manufacture of innovative products and equipment for oil and gas, mining and quarrying, construction, and transport sectors as well as within public procurement. Demand for equipment maintenance and installation services was most significant. In February, the Chelyabinsk Region launched a plant to produce robot manipulators to perform dangerous and hard work. In the middle of 2024, a rail car builder plans to open a tram assembly shop. In spring, the Republic of Bahkortostan will commence the construction of a casting plant to produce machine tool components. The Orenburg Region launched the production of charging stations for electric vehicles in 2023. Currently, it is conducting research work to expand the range of products and plans to launch the full-scale production of more high-powered products in the end of 2024. In 2024, a Perm-based engine builder plans to construct a manufacturing and testing facility for electronic machines the output of which substantially increased already in 2023 and will continue to grow. Nevertheless, machine builders pointed out that they still faced problems with finding alternative suppliers of imported raw materials and components as well as difficulties with payments and acute labour shortages. In particular, an enterprise in the Kurgan Region reported issues with settlements when purchasing welding wire.

CONSTRUCTION. In February–March, housing construction continued to grow in the Urals, driven by expanding commissioning of apartment buildings. As nearly all apartments in the houses to be commissioned in 2024–2025 were sold out, developers in the Urals launched more construction projects. In early April, the living area of apartment buildings under construction hit a record high and exceeded 15 million square metres. The Republic of Bahkortostan and the Kurgan Region implement integrated territorial development projects to advance urban development. However, some developers recorded declining demand for residential real estate because of tougher mortgage conditions and reported that they would cut the number of new projects already in 2024.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In February–March 2024, consumer activity was up in Siberia. Companies' price expectations grew faster. Metallurgy and wood processing ramped up output including by expanding supplies to the domestic market. Manufacturers of electronics and household appliances reported that the increase in orders surpassed the capacities to expand output.

CONSUMPTION AND INCOMES. In March 2024, growth in consumer activity of Siberian households sped up in both retail and services as compared with January and February. The number of guests at cafés and restaurants was high. Travel agencies reported that households booked both domestic and foreign trips for summer holidays earlier than usual. A major travel agency in the Trans-Baikal Territory temporarily expanded its staff by 25%. A travel agency in the Krasnoyarsk Territory pointed out that high demand for tours to Asian countries was the reason behind the increase in flight occupancy rates and the absence of last-minute travel offers to these destinations. Car owners willing to extend the useful life of their cars pushed up demand for services of car repair shops, making them hire additional personnel.

PRICES. In March, monthly inflation (seasonally adjusted) slowed down in Siberia, driven by changes in food prices and airfares. The lower costs of electrical power amid the increasing number of sunny days allowed greenhouse facilities to cut cucumber prices. Moreover, wholesalers in the Altai Territory recorded stabilisation of flour prices owing to the expansion of flour supply. A major Siberian air carrier carried out sales of air tickets in a number of regions, which reduced airfares. Price expectations of Siberian businesses for three-month ahead increased, driven by greater demand for their products and higher costs of raw materials and components.

MONETARY CONDITIONS AND BANKING SECTOR. Monetary conditions remained unchanged in the region in March. In the corporate lending segment, banks report stable demand primarily driven by market-based programmes of working capital lending. A slowdown in growth in retail lending was largely caused by mortgage lending. However, banks record an increase in car lending resulting from high demand in the car market. The inflow of funds into deposits was associated with continuously high rates. Banks report a large number of deposit renewals. The most popular products are those with maturities from six to 12 months, as households are trying to benefit from high interest rates.

NON-FERROUS METALLURGY. In January–March, Siberian industrial metal makers pointed out that external sanction pressure was intensifying. From time to time, they face issues with receiving payments for metal products manufactured as well as with transport and insurance partners and seaports. Nevertheless, recovery growth of global prices, greater domestic demand, and the redirection of export flows to Asia and the Middle East allow Siberian metal makers to ramp up output and sales and solve the problem of surplus stocks. For example, in January–February, a major metal maker increased exports of metal products and supplies to the domestic market by almost 15% and 12% in annualised terms, respectively. The company continued a large-scale environmental upgrade

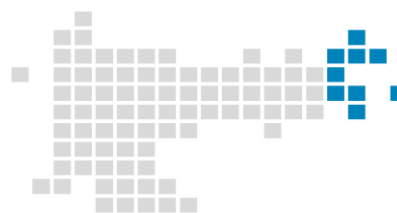
of its production facilities, development of new technologies, and the introduction of new alloys into the market.

WOOD PROCESSING. In January–February 2024, wood processing in Siberia actively rebounded (+6% YoY). Positive annual and monthly dynamics are recorded in most segments (wood boards, plywood, prefabricated constructions, etc.). In 2024, major companies intend to resume the implementation of investment projects that have been suspended owing to sanctions. According to Siberian manufacturers, the increase in demand for furniture boards that began in 2023 continued in January–March 2024. As a result, Siberian companies have orders for several months ahead. Businesses believe that demand for the boards is supported by the construction sector, specifically housing construction. A major plywood manufacturer pointed out that customers had started to more actively replenish their plywood stocks at current low prices. In such conditions, the company reported that it might raise output prices for its products by the start of the summer construction season. A producer of prefabricated wooden houses increased its output by a quarter, which was primarily driven by high demand for individual houses from households. Actually, only output of fuel pellets and bricks continues to decline. According to Siberian businesses, this slide intensifies owing to an almost complete loss of target markets in Europe and the absence of alternatives in Asia.

PRODUCTION OF ELECTRONIC DEVICES AND HOUSEHOLD APPLIANCES.

In January–February 2024, output of electronic devices and household appliances in Siberia gained 43% in annualised terms. Siberian businesses believe that rising demand surpasses the potential to expand supply. Manufacturers of IT and telecom equipment actively ramp up output and sales. In their opinion, the exit of Western vendors from the Russian market allowed Russian companies to capture market niches they would previously have to conquer for years. A key competitive advantage of Siberian manufacturers is that they provide high-quality guarantee services and technical support. The issue with supplies of imported components has become less acute. However, prices for such components are steadily rising and producers have to hold increased stocks (to buy in components) owing to complicated logistics. Most companies report that they plan to expand output. For example, a regional manufacturer of personal computers plans to launch the full-scale production of system units while a major manufacturer of telecom equipment even plans to establish an institute to develop import substituting technologies. A manufacturer of electrical equipment items reports stronger demand for its products. The company does not always have sufficient finished product inventories to fulfil all orders and cannot switch to three-shift operation due to labour shortages. A Siberian manufacturer of major appliances has quickly adjusted to market demands. The company not only expanded the range of refrigerators, but also launched production of new appliances – dish washers, air conditioners, and automatic washing machines. A regional manufacturer of medical devices rapidly increases its output. In 2024, the company plans to double output as compared with 2023.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



In February–March, consumer activity was up in the macro-region. Companies' price expectations lowered slightly although staying elevated. Decreasing mortgage lending resulted in the deceleration of real estate price growth. Since the railway was prioritised for coal supplies, transportation of containers contracted. Exports of fish products declined because of sanctions and settlement issues.

CONSUMPTION AND INCOMES. Consumer activity in the macro-region was up in February–March vs January, most notably in the food segment. In the Primorye Territory, a manufacturer of meat products reported sales growth after a two-month decline. Car dealers in Vladivostok and Khabarovsk recorded greater demand for new and used cars in March owing to an expected rise in prices related to the changes in rules for import from individual countries. Demand for travel services continued to expand. In the Khabarovsk Territory, demand for group tours to Western countries for schoolchildren during spring holidays was higher than a year before. In March, the Primorye Territory recorded elevated demand for new weekend guided tours. Short-term demand expectations of retailers and service companies increased in March. Demand was supported by higher wages and the indexation of social payments.

PRICES. Monthly price growth (seasonally adjusted) hardly changed in March vs February, while remaining elevated. Non-food product prices started to rise faster, mainly driven by higher demand for cars in March. As a result, car prices increased after a decline in February. Growth in food and services prices slowed down. Prices for chicken meat edged up more slowly than in the previous month and egg prices edged down thanks to measures taken to stabilise the market situation. An additional factor was the expansion of egg output by individual local producers. Some regions increased the number of direct flights to certain countries of Southeast Asia in March. As a result, prices for foreign travel dropped in the macro-region, but grew across Russia as a whole. According to weekly data, price growth decelerated in the first week of April. However, companies' price expectations rose. Enterprises reported soaring costs of raw materials and components delivery. The most significant increase in price expectations was registered in mining and quarrying, construction, wholesale, and retail.

MONETARY CONDITIONS AND BANKING SECTOR. As of the beginning of March, growth in the corporate loan portfolio accelerated, driven by new large loans to mining and quarrying, transportation and storage, and fishing companies. According to high-frequency data from credit institutions, there was an increase in demand for corporate loans from the road construction, agricultural and mining sectors in March. This was due to preparation for seasonal work and the conclusion of government contracts, among other reasons. Some banks reported higher demand for loans in yuan from fishing companies. The SME loan portfolio rebounded as of the beginning of March, since new limits were set for SMEs under government subsidised programmes, among other reasons. Growth in consumer lending sped up in February in part due to the expansion of car lending. The increase in mortgage lending slowed down in February owing to a decline (seasonally adjusted) in the number of both new government subsidised and market loans. However, several banks

reported a surge in demand for subsidised loans for the construction of individual houses in March. In February, the inflow of household funds both into current bank accounts and time deposits sped up.

LOGISTICS. In March, cargo loading on the Far Eastern Railway continued to grow exceeding the average level of 2023. This was associated with increasing coal delivery volumes, since the Eastern railway section was prioritised for coal exports in February. In this connection, transportation of containers from the West to the East almost halved, delivery was up to three months late and tariffs increased more than three times vs January. As a result, individual companies in the macro-region reported a drop in stocks of finished goods as well as raw materials and components and, consequently, risks that output may contract. Delays of fertiliser supplies were also recorded before the sowing campaign. To expand supplies, it has been allowed to increase the length of container trains by 40% since April.

HOUSING CONSTRUCTION. In 2024 Q1, the macro-region continued to demonstrate record growth in housing construction and to launch new projects to develop apartment buildings faster than across Russian as a whole. This was associated with integrated development projects and government subsidised mortgage programmes. Also, a major real estate agency reported that, in the Primorye Territory, demand for apartments with an area of over 60 square metres more than doubled, since the limit for such apartments under the Far Eastern Mortgage programme was increased in late 2023. As a result, individual construction companies started to modify the existing apartment layouts. In March, growth in prices for new housing suspended and the increase in prices for existing housing continued to slow down. Concurrently, construction companies in several regions reported disruptions in supplies of construction materials due to the high utilisation rate of the railway infrastructure. For this reason, developers switched to road transportation and incurred higher costs, which they plan to pass through to housing prices.

FISHING AND FISH PROCESSING. By early April, the capture of pollock exceeded the levels of early April 2023 by 5% owing to good conditions in terms of ice and storms and increasing quotas. This resulted in a decrease in wholesale prices for pollock by a quarter by the beginning of the year (seasonally adjusted). Owing to the increased capture, output of frozen fish, fillet, and mince gained almost a quarter in January–February year-on-year. Due to sanctions and settlement issues, fish exports contracted by a quarter in annualised terms. However, supplies of pollock to the domestic market increased by a third. Regional enterprises continued to upgrade fishing facilities. For example, a major Kamchatka-based fishing company accepted a new vessel in March and launched it in April. In addition, enterprises pointed out new difficulties with supplies of imported equipment and components. For example, an enterprise in the Khabarovsk Region reported that suppliers had exhausted their stocks of knives for foreign equipment amid the lack of domestic alternatives.

BOX 1

AGRICULTURAL COMPANIES PREPARE FOR SPRING SOWING CAMPAIGN

The spring sowing campaign started earlier than usual in a number of regions. According to the Bank of Russia MBs' estimates, the grain harvest may be 135–145 million tonnes, including 86 million tonnes of wheat, if weather conditions are favourable. Agricultural companies have sufficient quantities of seeds, machinery, fuels and lubricants, plant protection products, and mineral fertilisers. However, the cost of sowing nearly all basic crops is higher than last year. The pass-through of costs to output prices appears unlikely so far, as there are high carry-overs of grains and the harvest is forecast to exceed multi-year averages. Three-month ahead price expectations of agricultural companies are easing.

WINTER CROPS

As estimated by Bank of Russia MBs based on data from regional governments, the winter crop areas sown for the 2024 harvest total about 19.2 million hectares (+7.7% YoY), including the winter grain area of 18.6 million hectares (+7.9% YoY). The spring fertilisation of crops is already underway in the South and individual regions of Central Russia, with regions in the Urals, the Volga Federal District, Siberia, and the Far East preparing for this operation.

In the current season, the condition of the winter crops is satisfactory and is close to multi-year averages. No more than 6.5% of the winter crops is in bad condition (vs 5.2% last year). In a number of regions in Central Russia and the Urals, the winter crops were damaged by damping-off caused by the snowy winter and the insufficient freezing of soil. Deterioration of the winter crops in individual Southern and Siberian regions is associated with heavy precipitation in autumn and winter (Chart B-1-1). Concurrently, the water availability is generally sufficient in all key grain growing regions.

Wheat. The winter wheat areas are 16.8 million hectares, which is 7.6% more than last year. Central Russia registers a considerable rise. Seeds have been sown in full in good weather.

Barley. The winter barley areas are 0.7 million hectares, which is 1.5% less than last year. Southern regions note a decline due to the reallocation of areas among crops.

Rye. The winter rye areas are 0.8 million hectares, which is 1.1% less than last year. This is associated with a reduction in areas sown with rye in the Volga Federal District, a key rye-growing region.

Rape. The winter rape areas are 0.5 million hectares, which is 1.8% more than last year. The Orel, Kursk, and Tula Regions register largest increases.

SPRING SOWING

The sowing campaign is ahead of schedule virtually in all Southern regions and in a number of regions in Central Russia and the North-West. In the Far East, the sowing campaign is progressing as planned, except for the Amur Region, where it is a week behind the schedule due to heavy precipitation in March.

Spring grains and grain legumes are generally planned to be sown on 29.8 million hectares nationwide, which is 3.1% less than in 2023. The decline in the spring crop areas results from an increase in the winter grain and oil crop areas compared with the previous season. The spring wheat

areas may drop by around 6% year-on-year. According to agricultural companies in the Lipetsk, Tambov, and Belgorod Regions, the spring wheat areas are preserved only to maintain crop rotation. Concurrently, the sowing areas of some oil crops may increase, namely rape by 15% mainly due to Siberia and soybeans by 18% on the account of regions in Central Russia. In these macro-regions, agricultural companies note that the reallocation of areas in favour of oil crops is associated with their higher profitability and the expanded capacities for their processing in part due to rising demand from Asian countries. Crop areas of sugar beet may generally expand nationwide owing to regions in Central Russia and Volga-Vyatka. Crop areas of corn and open-field vegetables are expected to be at the level of the previous year.

As of early April, nearly 1 million hectares were sown (vs 0.7 million hectares last year). Speaking of risks to the sowing campaign, agricultural companies in some regions report excessive floodwaters.

HARVEST EXPECTATIONS

Based on the winter crops and the spring sowing plans, the Bank of Russia MBs expect the harvest of grains and grain legumes to be around the last year's figure and above the five-year average. In favourable weather conditions, it may reach 135–145 million tonnes, including 86 million tonnes of wheat (vs 144.9 million tonnes and 92.8 million tonnes, respectively, in 2023). The harvest of barley, sunflower, sugar beet, potato and other vegetables is expected to edge down relative to the previous year. The harvest of rape and soybean is likely to rise. The harvest of corn is forecast at the level of last year. **According to agricultural companies, there are no material weather risks to the harvest at the moment.**

As of April, the Food and Agriculture Organization of the United Nations (FAO) estimates total grain output at 2,841 million tonnes in the current agricultural year, which is 1.1% more than last year. Gross output of wheat is assessed at 788 million tonnes (-2.3% YoY). As for the 2024/25 season, the wheat harvest is forecast to slightly exceed last year's values (+1% YoY), as Russia and Asian countries have expanded crop areas and the US and Canada expect higher crop yields.

MATERIALS AND EQUIPMENT

SEEDS

Russian agricultural companies do not generally have any problems with purchasing domestic and foreign seeds for the spring sowing campaign. Farmers in most regions have procured nearly all grain and oil crop seeds they need. The share of domestic grain seeds remains high in part due to the seeds from the last year's harvest. There are some exceptions, however. For instance, agricultural companies in the Chelyabinsk and Orenburg Regions failed to prepare seeds of their own due to incessant rains last year.

The share of foreign oil crop seeds remains high. The introduction of quotas on oil crop seeds has had no material effect on the stocks of seeds at agricultural companies, as they purchased the most part of the seeds in early stages of the preparation for the spring sowing. Nearly a half of all corn seeds are foreign. Efforts are made to reduce this share. Seed and plant breeders in the Stavropol Territory and the Voronezh Region continue to breed new corn hybrids. The high dependence on imported seeds of sugar beet, potato, and vegetables is still a problem. Agricultural companies do their best to substitute foreign seeds with domestic ones. A large Rostov-based agricultural holding has fully switched to Russian sugar beet seeds this year. The share of domestic potato seeds is rising in the Novgorod Region as a result of the implementation of a regional seed production project. Market participants, however, are apprehensive that a larger share of domestic seeds used in the sowing campaign may cause a drop in gross output of individual crops. For instance, certain farms

in the Irkutsk Region expect a drop in the crop yields of open-field vegetables due to the switch to domestic varieties with a lower yielding capacity.

FERTILISERS AND PLANT PROTECTION PRODUCTS

Agricultural companies procured sufficient quantities of plant protection products (PPPs) and mineral fertilisers well in advance in most macro-regions. The payments for and the supplies of these products have been scheduled to match the start dates of sowing, soil preparation and fertilisation. Agricultural companies use both foreign and domestic PPPs. As for mineral fertilisers, they use predominantly Russian products. For example, the Rostov Region opened a facility to manufacture granulated mineral fertilisers at the end of the last year. A large Kemerovo-based enterprise remains the key supplier of mineral fertilisers in Siberia.

The Far East continues to face problems with the stocks of mineral fertilisers. The Primorye Territory and the Amur Region have only 40% of mineral fertilisers they need. Delays in fertiliser deliveries are related to the logistics problems caused by the lower priority of these products in rail shipments.

MACHINERY, FUELS AND LUBRICANTS

The existing fleet of agricultural machinery⁴ is sufficient nationwide. According to regional governments' data, the procurement of agricultural machinery increased by 26%, 17%, and 11% in the Far East, the South, and Central Russia, respectively, mainly owing to Russian machines. Many agricultural enterprises changed suppliers of machinery and spare parts for vendors from Russia and friendly countries. The products are delivered as scheduled. Nevertheless, there is a need for modern powerful tractors, grain harvesters, and forage harvesters. Growth in demand for agricultural machinery is curbed by cost-saving efforts made by numerous agricultural companies. Some of them focus on repairing the existing fleet and buying used machinery. Certain companies continue to cooperate with foreign suppliers but face problems with purchasing foreign spare parts and machinery.

There is no shortage of fuel in anticipation of the spring sowing campaign, as most companies buy it in advance.

CHANGES IN SOWING COSTS

Nearly all regions note higher prices for seeds, agricultural chemicals, energy, machinery, and spare parts. According to market participants, this is also attributable to tougher business environment and tighter market conditions for foreign seed producers, including the requirement of the Russian Ministry of Agriculture that seed breeding facilities be localised inside Russia. The problem of labour shortages remains acute in the sector. According to Siberian agricultural companies, they incur higher transportation costs related to eastbound rail shipments of grains and oil crops due to the lower priority of these goods compared to other products.

Contrastingly, crop product price expectations continue to ease, according to the Bank of Russia's monitoring of businesses. The pass-through of the higher costs to output prices appears unlikely so far, as there are high carry-overs of grains and the harvest is forecast to exceed multi-year averages.

According to FAO, March was the third consecutive month when global export prices for wheat kept falling (-20% YoY), as the competition for exports among the European Union, Russia, and the US was still tough. Global barley prices decreased too. In contrast, export prices for corn edged up on February. Higher corn prices resulted from greater demand from China, among others. Growth in

⁴ Find more details in Box 3 'Industry focus. Agricultural machinery market'.

global prices for soybean oil was largely driven by persistently high demand from biofuel producers, in particular from the US and Brazil. Prices for sunflower and rape oils rose in March as well, backed by stronger global demand.

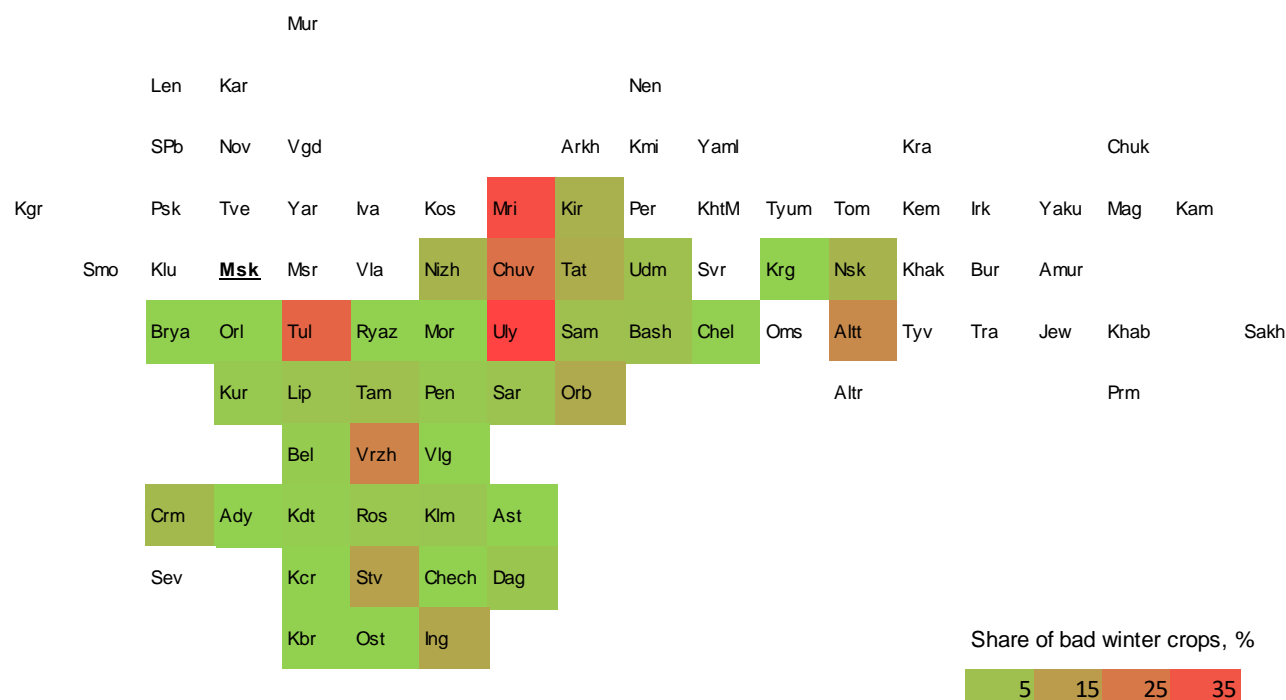
FEDERAL AND REGIONAL SUPPORT MEASURES

All key federal government measures to support agricultural producers remain the same relative to the previous year. These include subsidies for seeds, fuels and lubricants, machinery, and PPPs, support of agricultural insurance, measures as part of a project to develop vegetable and potato production, and subsidised loans.

Regional support measures are aimed at solving farmers' problems locally. For instance, the Moscow and Kostroma Regions offer programmes whereby crop growers may get a rent-free land lease for up to six years. In the Voronezh Region, agricultural producers are partially compensated for the costs of purchasing machinery and equipment manufactured within the region. In the Urals, new regional support measures include additional subsidies for seeds, including highest quality seeds, and grain drying equipment. As instructed by regional authorities, a tractor depot was established to lease machinery to farms in the Khabarovsk Territory. Agricultural companies in the Samara Region actively use advance subsidies to buy fuel, seeds, and fertilisers rather than take out loans. The Astrakhan Region allocates funds from the regional budget to support the agrotechnological activities to cultivate melons and gourds and grow them from seeds.

The harvest of grains and grain legumes is expected to be around the last year's figure. Agricultural producers have sufficient materials and equipment to conduct the spring sowing campaign. Agricultural companies report rises in costs compared to the previous year. The pass-through of higher costs to output prices appears unlikely so far, as there are considerable stocks of grains and the harvest is forecast to exceed multi-year averages.

Chart B-1-1. Share of bad winter crops, %



Note.

1. The chart is built on data as of late March 2024.
2. The regions that are not in colour have no or insignificant winter crops.
3. The data do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Sources: calculations by Bank of Russia MBs, regional governments.

Table B-1-1. Agricultural crop areas, mln hectares

	2024	2023	% on 2023	% on 2019–2023
Grains and grain legumes	48.2	48.0	0.4	1.7
Wheat	30.0	29.8	0.8	3.1
Barley	7.4	8.0	-6.9	-10.3
Corn	2.7	2.6	0.8	-4.4
Oil crops	17.7	17.6	0.7	8.1
Sunflower	9.4	9.8	-4.1	0.5
Soybean	4.2	3.6	16.8	31.3
Rape	2.4	2.1	12.9	29.7
Sugar beet	1.1	1.1	3.3	6.4
Potato*	0.3	0.3	4.7	9.7
Open-field vegetables*	0.2	0.2	1.0	-0.2

* At agricultural enterprises, farms, and individual entrepreneurs.

Sources: calculations by Bank of Russia MBs, Rosstat, and regional governments.

Table B-1-2. Materials and equipment at Russian agricultural enterprises

	2024/2023, % of need				
	Seeds	PPPs	Mineral fertilisers	Machinery	Fuels and lubricants
Grains and grain legumes	97/102	71/64	82/82	91/97	78/85
Oil crops	96/87	90/75	90/86	97/98	84/86
Sugar beet	92/92	90/83	91/89	93/98	88/94
Potato	89/98	66/62	73/69	84/85	68/77
Open-field vegetables	83/89	80/70	85/82	94/97	86/90

* The table is compiled on data as of late March 2024.

Sources: calculations by Bank of Russia MBs, regional governments.

BOX 2

REGIONAL LABOUR MARKETS

Labour shortages intensified in regional labour markets over 2023 H2 and 2024 Q1. The unemployment rate hit a historical low, as demand for labour from employers was rising amid limited opportunities to increase labour supply. The tight labour market and rising real wages continued to put inflationary pressure. Companies were increasing labour productivity, streamlining production processes, seeking to hire and train young specialists, and retain skilled professionals.

LABOUR MARKET IN 2023 H2 AND 2024 Q1

The unemployment rate continued to go down, further deviating from NAIRU.⁵ The labour market tightened even more, with the labour supply to demand ratio reaching minimal values (Chart B-2-1). According to recruiters, the number of job openings rose in early 2024 compared to November–December 2023. However, growth in the number of vacancies slowed down in annualised terms.

According to companies surveyed by the Bank of Russia, **labour shortages intensified in 2023 H2 and 2024 Q1**. The share of enterprises suffering from labour shortages was 70% in early April (vs 56% in July 2023). Shortages of both skilled professionals and unskilled workers became more acute relative to mid-2023.

Labour supply expansion is limited by the general decline in population (Chart B-2-2), **including working age population**. A slight rise in labour force in 2023 (by 0.5% YoY) was driven by a higher labour force participation rate of working age population. This was observed in the Urals and Siberia (Chart B-2-3). In 2023, the number of foreign employees having employment certificates issued for citizens from visa-waiver countries and work permits edged up compared with 2022 but was lower than in 2021. The number of migrant workers declined because of a weaker ruble and stricter legislation on migration of foreign workers, including those from Central Asia (90% of foreign labour force). For instance, some regions in the North-West, Central Russia, the South, Siberia, and the Far East have introduced or are introducing restrictions on jobs for foreign nationals in certain sectors. In the Voronezh Region, migrant workers are banned from working for passenger transport companies. Nevertheless, employers in all districts consider options to hire professionals from countries where labour force is cheaper and expand the list of countries migrant workers may come from. The Vladimir Region increased a quota on hiring migrant workers, including from Southeast Asia, by 25% in 2024. Workers from South and East Asia are also hired by employers in the Altai and Stavropol Territories, and the Volgograd Region. The Tula Region plans to launch the best employer for foreigners competition.

The labour market situation has an impact on individual flows of migration between regions. Some historical donor regions implement measures to retain labour force. In the Omsk region, the improvement of labour conditions at companies related to public procurement helped reduce the outflow of workers to other regions by 5,000–6,000 people in 2023 compared to 2022. Residents of

⁵ NAIRU is a non-accelerating inflation rate of unemployment. A negative deviation of actual unemployment from NAIRU indicates higher inflationary pressure in the economy. The methodology for calculating this measure is presented in [Orlov D., Postnikov E. \(2020\) Phillips curve: inflation and NAIRU in Russian regions // Bank of Russia Working Papers \[in Russian\]. November.](#)

the Kurgan Region tend to decide against going to other regions to make earnings more often, as local enterprises related to public procurement offer high wages. Recipient regions allocate subsidies to attract workers. Businesses jointly with governments develop action plans to fill vacancies.

LABOUR MARKET ADJUSTMENTS IN REGIONS AND SECTORS

Labour shortages are the major driver of growth in wages. **Financial incentives have been a key means of competition for labour** since 2023. As of the end of 2023, annual growth in real wages equalled 7.8%, exceeding the output index for core industries by 2.7 percentage points. January 2024 saw no changes in the situation. Manufacturing and construction registered the highest rates of growth in wages. According to recruiters, pay offers in job openings published in March 2024 were 12.7% higher than in January, with the deviation of the median pay offered by employers from applicants' expectations entering positive territory (Chart B-2-4).

Given the actual strong growth in wages, **businesses are more cautious in their assessments of a further increase in labour costs over 2024**. A large developer in the Volgograd Region notes that higher wages do not necessarily make it easier to find workers. Based on the survey of businesses conducted by the Bank of Russia in April 2024, a little over a half of surveyed companies plan to raise wages by the end of 2024. In August 2023, when enterprises were previously asked about rises in wages, 75% of respondents noted that they had already raised wages since the beginning of 2023. Businesses seek to link growth in wages to performance. A large Siberian manufacturer of pharmaceuticals has introduced a pay grade system for its employees. In the Tomsk Region, an electric equipment assembly company applies labour participation coefficients.

Companies find alternative solutions and tools to hire and retain employees with a focus on ensuring comfortable work and life. Employers in most Russian regions offer house rent allowances, initiate construction of houses and social infrastructures for their employees. Employers also help their employees receive and repay loans. An electrical equipment manufacturer in the Republic of Mari El provides subsidised loans for any purpose, including mortgages. A Barnaul-based mechanical press manufacturer assists its employees in paying rents and covers interest on their mortgage loans. Companies strive to provide their workers with social benefits, including additional medical insurance, food allowances, free transfers to work locations and holiday destinations, etc. For instance, industrial companies in the Stavropol Territory and the Rostov Region reward their employees for referring candidates for positions in the companies' production facilities. Similar employee referral schemes are in place at companies in the Kurgan, Irkutsk, and Samara Regions.

To solve the problem of labour shortages, **companies automate and streamline their production processes** in part due to their participation in the national project Labour Productivity. According to preliminary data from regional centres of competence, the national project covered more than 4,000 companies in 2023, showing a yearly increase of 37% relative to 2022. A half of the companies managed to increase their labour productivity by 5% annually over three years of their participation in the project. The automation and robotisation of production lines and the installation of new equipment remain major instruments to improve the labour productivity at companies within and beyond the project. Thanks to robotised production, a large South-based manufacturer of manual tools was able to set up an autonomous operation of some workshops. In 2024, a Siberian aircraft builder and an instrument-making factory plan to put into operation robotised shape-cutting and painting lines to handle components used in blanking and stamping operations. Kuzbass develops

self-driving dump trucks to be put into service in 2024–2025. A Volga-Vyatka-based metal-powder company negotiates the development of a unique automated pressing line with a friendly country.

The **implementation of labour-saving technologies and lean manufacturing tools** also improves labour productivity. According to preliminary data, these best practices were taught to over 85,000 employees and representatives of regional teams as part of the Labour Productivity project in 2023, showing a 44% increase vs 2022. The largest meat factory in Buryatia increased its labour productivity by 20% and revenues by 10% owing to the automation of production lines and the application of the lean workplace methodology. In 2024–2025, a Tatarstan-based vehicle manufacturer plans to expand output from 300 to 700–900 buses a year due to the implementation of lean manufacturing. A large manufacturer of cardboard containers in the Krasnodar Territory increased output by 11% by streamlining its business processes. A Novosibirsk-based seller and processor of sheet glass raised output per employee by 25% due to the implementation of lean manufacturing. Streamlined production processes help a Samara-based agricultural machinery manufacturer improve performance and cut costs.

Due to labour shortages, **companies extend shifts and operate on weekends**. According to Rosstat data, actual hours worked per employee averaged a five-year high of 38.2 hours a week in 2023. An agricultural company in the Krasnoyarsk Territory has to resort to overtime work to solve the labour shortage problem.

Companies seek to retain older workers who have reached the retirement age and hire students. Urals-based large companies used to encourage people to retire, but now they develop programmes to retain older professionals. A large mining company in the Primorye Territory cooperates with educational institutions to engage interns and hire students.

According to recruiters, March 2024 saw a yearly **increase of 74% in demand for temporary workers, including rotational workers**. A large cement manufacturer from the Volga-Vyatka macro-region considers hiring rotational workers now, although it has never employed them before. The Kamchatka Territory expands the list of sectors engaging rotational workers to include construction, tourism, and public catering in addition to fishery and mining and quarrying traditionally applying the rotation work system. Remote and hybrid working is a common practice in many Russian regions (especially in Central Russia and the North-West).

The labour market is supported by government programmes, including subsidised hire, assistance to the employment of young people, and other programmes. The Russian Jobs career centres regularly hold career, labour, and education fairs, including those focused on people with disabilities, women, pensioners, and young people with no work experience. Increasingly more enterprises and vocational schools are joining the Professionalitet (professional training) federal project. It is aimed at matching corporate labour needs and the capacities of the vocational education system. In 2023, around 55 entities participated in the project. 65 entities are planned to join the project in 2024.

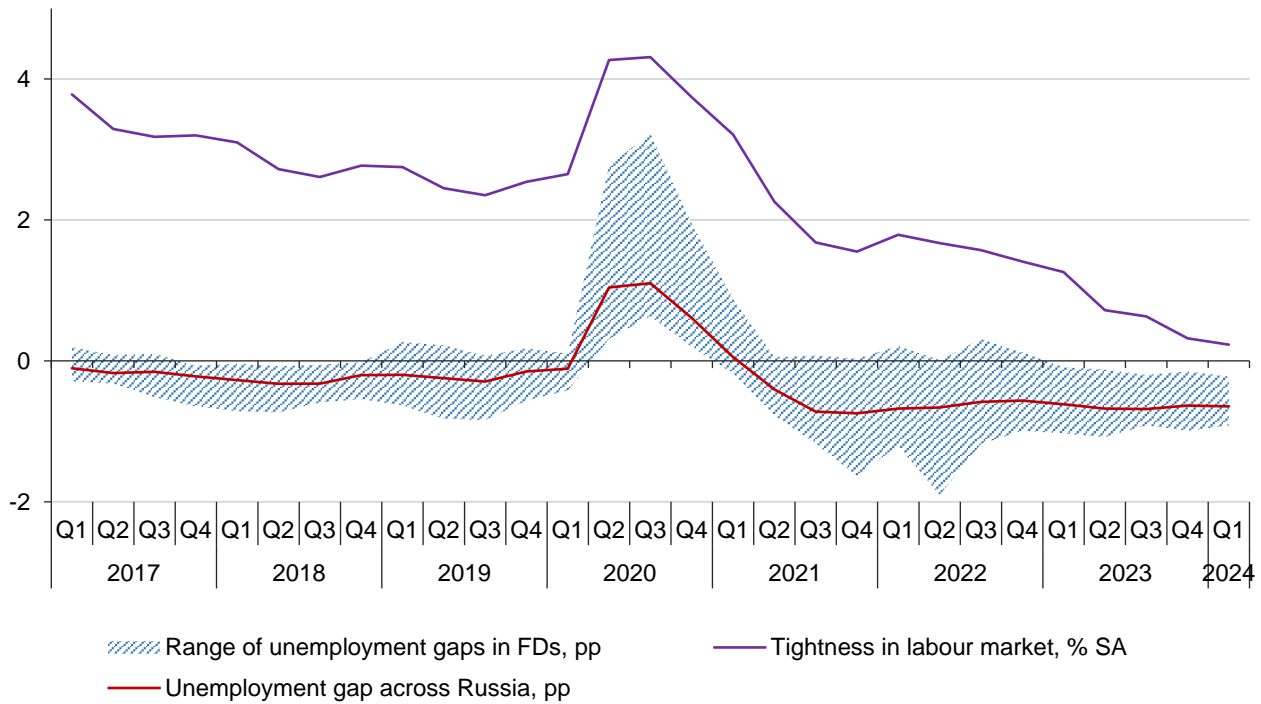
In addition, **businesses arrange their own training programmes for employees**. To train professionals for its five plants, a large Siberian cement manufacturer established its own licenced training centre where people may acquire new or related competences. A Novosibirsk-based software developer provides in-house training. A major diamond-mining company in the Far East accepted internship applications from over 1,000 students from the entire country.

HIRING PLANS AND STRATEGIES FOR 2024 H1

The problem of labour shortages will be still relevant in 2024 H1 due to the persistence of the current demographic trends coupled with high demand for labour. Companies regard the labour shortages as a key drag on output growth in 2024. Companies' managers streamline business processes to improve labour productivity. Concurrently, employers relax requirements for job seekers and intend to expand efforts to train people in-house.

The labour market continues to exert inflationary pressure against the backdrop of rising staff shortages. Companies go on with raising wages but are cautious in their assessments of their capabilities to further increase labour costs in 2024 relative to 2023.

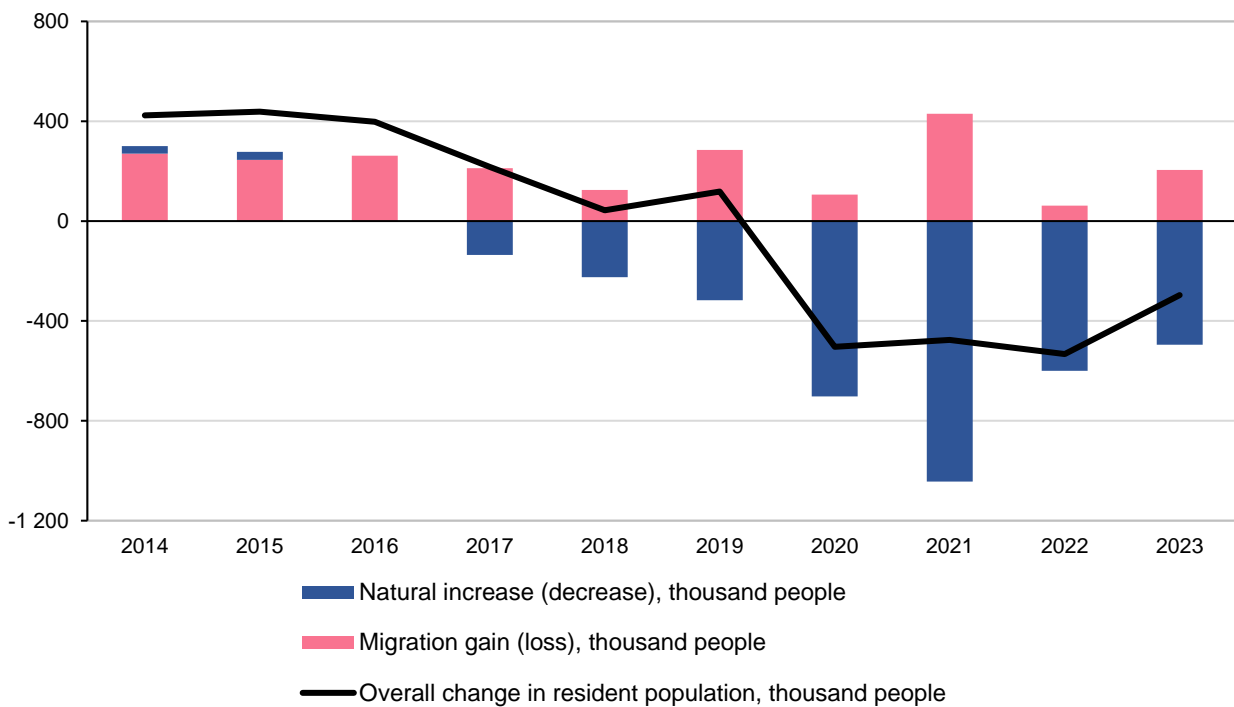
Chart B-2-1. Unemployment gap and tightness in labour market



Note. The unemployment gap is measured as the difference between the unemployment rate and its trend component (NAIRU). The negative gap is an indication of tightness in the labour market and tougher competition for labour. This is also implied by a minimal measure of tightness in the labour market, i.e. a ratio of labour supply (the size of labour force) to demand (the number of employed people and total demand for labour).

Sources: Rosstat, calculations by Bank of Russia MBs.

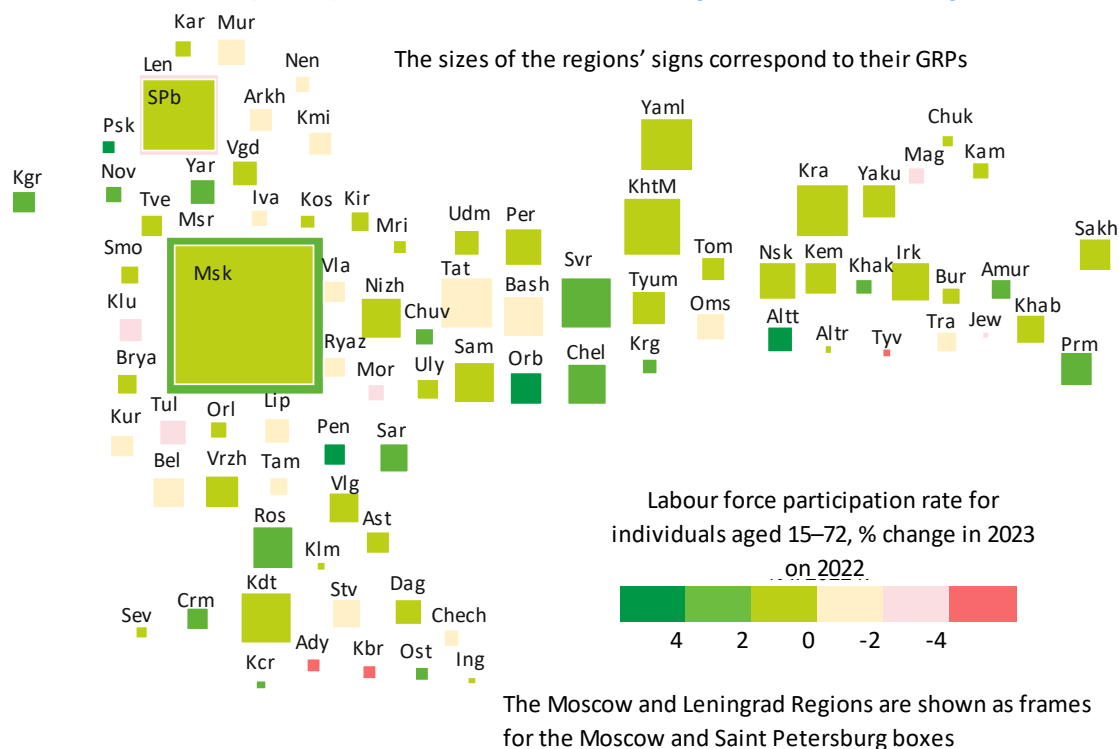
Chart B-2-2. Population change components



Note. The data are based on the results of the 2020 Russian census.

Sources: Rosstat, calculations by Bank of Russia MBs.

Chart B-2-3. Labour force participation rate* for individuals aged 15–72, % change in 2023 on 2022

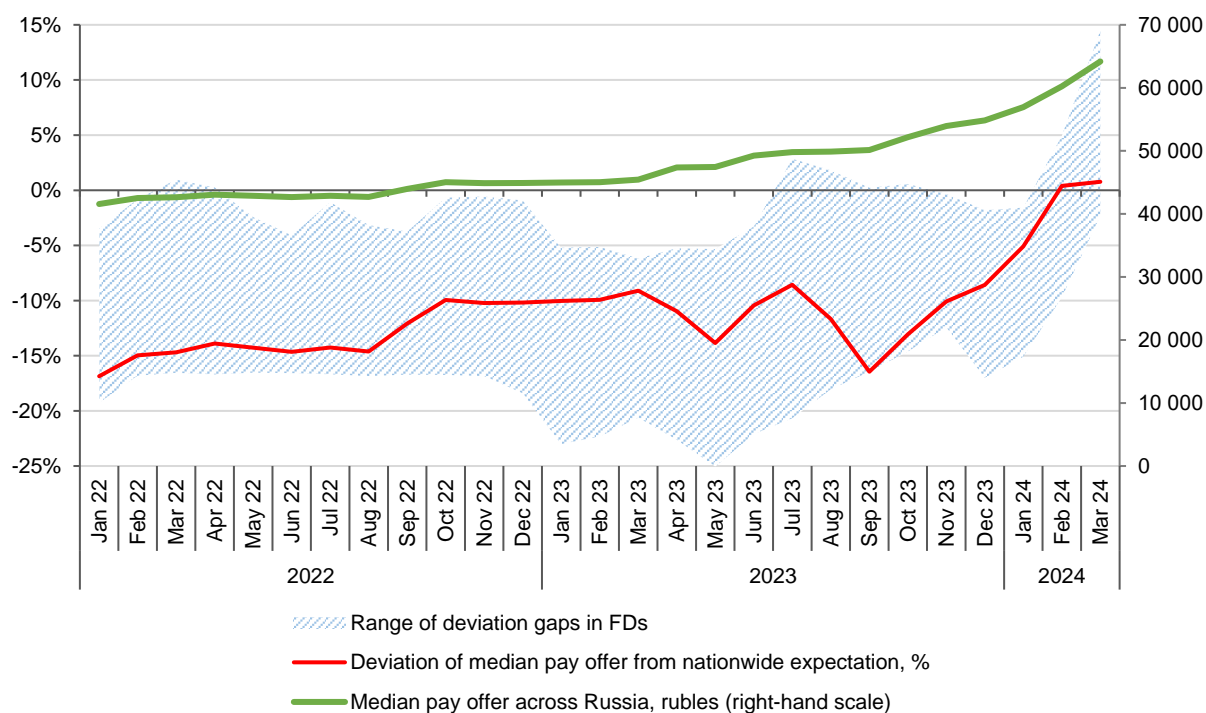


* The labour force participation rate is the proportion of labour force (employed and unemployed) to total working-age population (aged 15–72).

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, calculations by Bank of Russia MBs.

Chart B-2-4. Deviation of median pay offer from expectation based on hh.ru data.



Sources: hh.ru, calculations by Bank of Russia MBs.

BOX 3

INDUSTRY FOCUS. AGRICULTURAL MACHINERY MARKET

The Russian fleet of agricultural machinery is one of the largest fleets in the world. Sanctions boosted demand for domestic machinery. 2023 data show that major Russian operating manufacturers account for more than a half of the Russian market. Large manufacturers of agricultural machinery set their output targets for 2024 at the level of last year. The model range of powerful tractors equipped with Russian engines is expected to expand.

MACHINERY FLEET

The current fleet of agricultural machinery is assessed by agricultural companies to be sufficient to do sowing and harvesting. However, the average age of the fleet is rather old, according to regional governments, namely nearly 60% of tractors and around 45% of harvesters have been used for more than 10 years. According to the Russian Ministry of Agriculture, growth in domestic output and the implementation of government measures to support the agricultural sector (subsidies for purchases and preferential leasing) will enable agricultural companies to maintain the current rate of fleet renewal.

Foreign agricultural machinery accounts for around 10% of the whole fleet. A number of foreign manufacturers exited the Russian market because of sanctions, causing difficulties in terms of fleet renewal and maintenance. For instance, a manufacturer in the Tula Region complains that it takes six weeks and longer for the company to receive around a third of spare part supplies and it cannot buy some spare parts because they are unavailable in Russian warehouses. Farmers in Central Russia have reduced purchases of foreign beet harvesters and machines that have practically no equivalents in Russia.

Machinery made in Russia and friendly countries has important competitive advantages for Russian agricultural companies, especially in terms of maintenance. Breakdown during harvesting and sowing campaigns may be critical to agricultural companies, that is why they tend to conduct repairs of their machinery on their own. It may take months for companies to buy spare parts for foreign machinery and it is difficult to find spare parts for US and European machines owing to sanctions. Given that, farmers have to use equivalents predominantly made in Asian countries or buy spare parts by using the parallel import. These channels have been already set up. Russian dealers and manufacturers expand cooperation with contract manufacturers of spare parts to order similar or only slightly different spare parts.

OUTPUT

Output of agricultural machinery in Russia increased by 0.3% year-on-year in 2023, according to Rosstat data. Individual types of agricultural machinery demonstrated mixed output trends. For instance, domestic agricultural machine builders increased output of grain and potato harvesters but decreased that of tractors and field cultivators.

The reduced export potential is another drag on output of agricultural machinery. Most foreign companies that had set up production in Russia not only manufactured machines for the Russian market but also exported them to CIS countries. The exit of these companies made the export capacity fall noticeably. The share of foreign equity in the sector dropped. Large EU and US companies stopped production.

The sector is consolidating. Top five Russian manufacturers account for more than a half of the market. Russia manufactures most types of agricultural machinery and equipment, namely tractors, grain and forage harvesters, ploughs, seed drills, harrow tools and other equipment. Output of some high-tech agricultural machines plummeted, as European companies refused to supply certain components amid sanctions. Nevertheless, some manufacturers managed to switch to domestic suppliers and companies from friendly countries, as reported by enterprises.

The sector's largest manufacturers predominantly set their output targets for 2024 at and above the level of last year. Output of some items is planned to grow in the current year as well. In 2025, this growth will be additionally driven by new production facilities reaching their design capacities and a broader range of domestic machines, including powerful tractors. For instance, a large South-based manufacturer plans to expand the model range of such machinery. A manufacturer of sowing machines and grain dryers from Altai reports growth in output as of the end of last year and the expansion of its dealership network and product line. The company supplies agricultural machinery across Russia and cooperates with friendly countries. In collaboration with a friendly country, the Tambov Region launched the manufacture of self-driving harvesters.

Experts believe that the share of domestic manufacturers of agricultural machinery will grow progressively. This is associated with both the higher cost of imported machinery in part due to the recycling fee and programmes to stimulate domestic output.

IMPORT SUBSTITUTION PROSPECTS

Domestic machine builders have to ensure the import substitution of certain types of agricultural machinery to solve the problem of high dependence on their imports amid sanctions. The most vulnerable areas include machines for planting and harvesting vegetables, potato, and sugar beet, which are not manufactured in Russia. The dependence of Russian enterprises on foreign components differs, with the localisation level ranging from 70% to 100%.

Companies compare the economic feasibility of localising production at their own facilities with the search for alternative suppliers. According to a major Russian manufacturer of agricultural machinery, domestic components and units account for over 90% in its output. Nearly all harvesters manufactured by the company have domestic engines. Tractors are equipped with Asian engines. Many Russian manufacturers have switched from western components to equivalents from friendly or neutral countries.

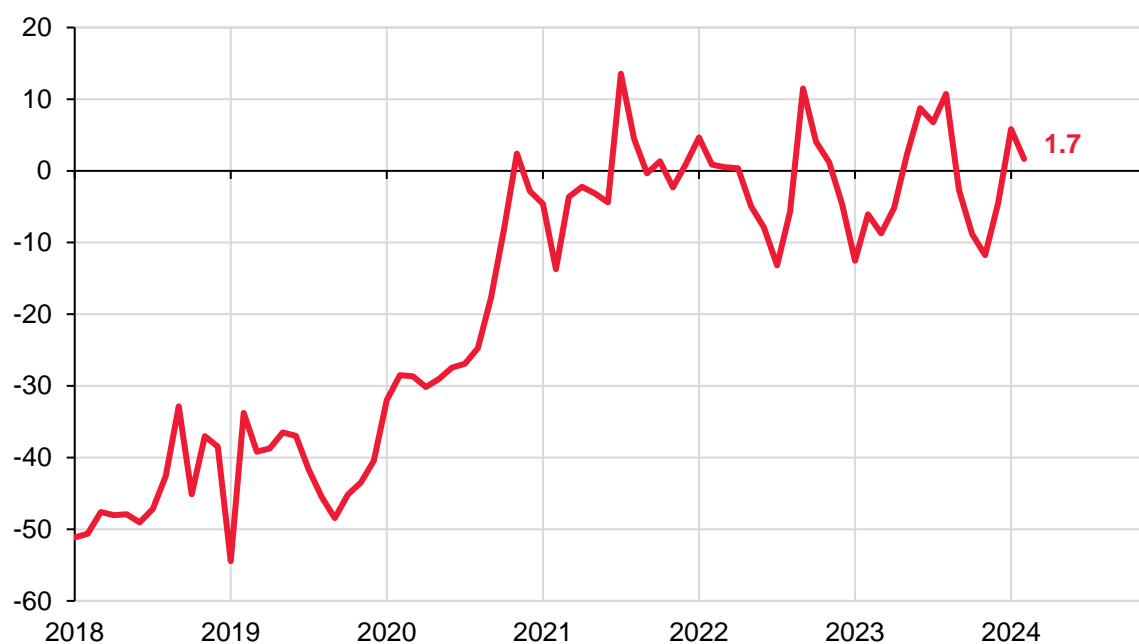
Large manufacturers of agricultural machinery plan to expand the model range of powerful tractors equipped with Russian engines. For instance, in early March 2024, the Rostov Region opened a new full-scale tractor factory capable of manufacturing, inter alia, tractors with powerful engines (up to 600 horse powers), the output of which used to be complicated. The potential output of the factory is up to 5,000 items of machinery. A major domestic tractor factory is implementing an investment project as part of import substitution. It plans to launch a facility to manufacture axles, transmissions, and gear reduction units. Such components are currently imported from Asia.

The short-term risks to the harvest related to machinery shortages and maintenance problems are regarded as low. As announced by a number of agricultural producers, their foreign partners refused to supply necessary components and spare parts. Nevertheless, Russian agricultural companies managed to accumulate an adequate stock for 2–3 years. Based on the current practice of the parallel import, it is possible to conclude that most factors of production are available. According to the Russian Ministry of Agriculture, foreign equipment and components are still supplied to the Russian market though with considerably delays.

However, medium- and long-term risks to be faced by agricultural producers will depend on how quickly domestic manufacturers will be able to expand output in those segments where only foreign brands are available.

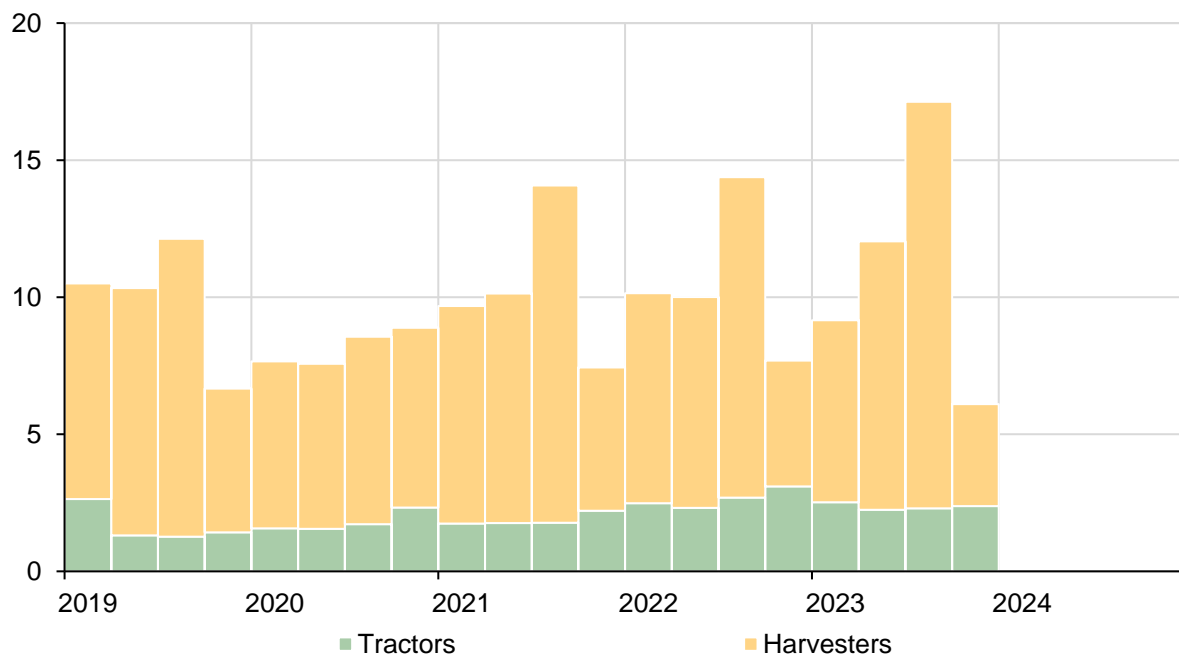
Sanctions and the exit of a number of foreign (US and EU) manufacturers made domestic makes of machinery more attractive to Russian agricultural companies. The existing fleet is sufficient to cover their needs related to the current spring sowing campaign. According to the Russian Ministry of Agriculture, growth in domestic output and the implementation of government measures to support the agricultural sector (subsidies for purchases and preferential leasing) will enable agricultural companies to maintain the fleet renewal rate. Thus, there is no material risk to the harvest emerging from the current situation in the agricultural machinery market.

Chart B-3-1. Agricultural machinery output, % change on 2021 Q4, SA



Sources: Rosstat, Bank of Russia calculations.

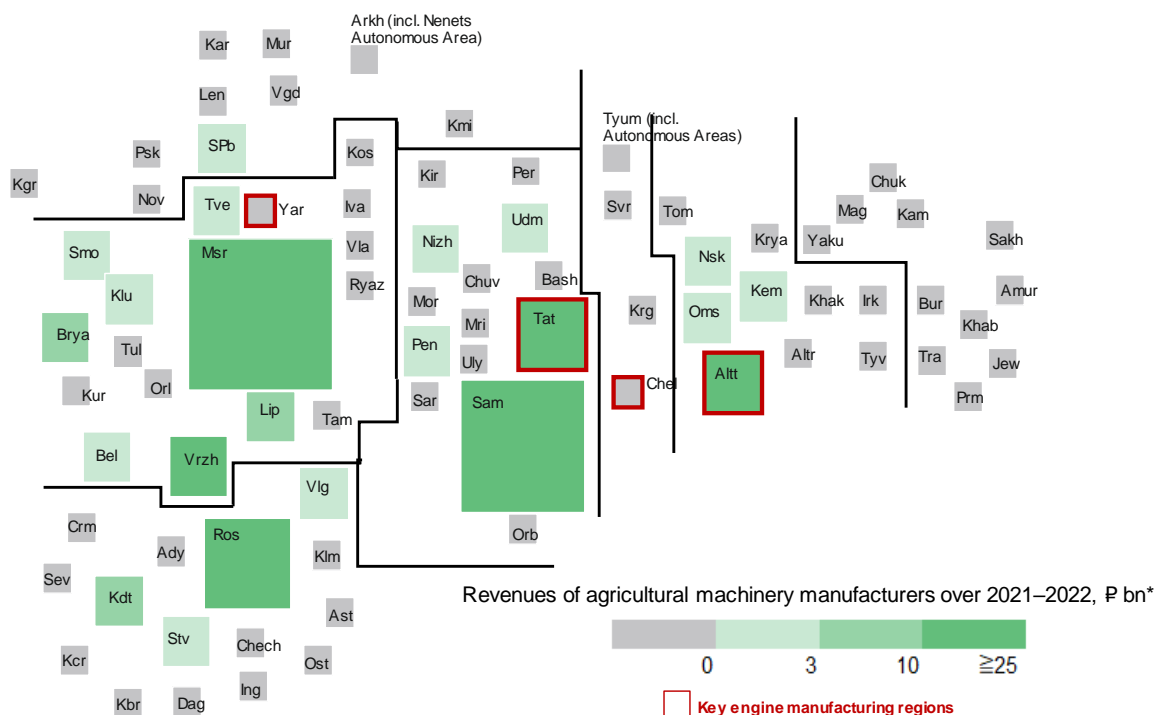
Chart B-3-2. Output of tractors and harvesters, * thousand units



* The classification codes of products by type of economic activity (OKPD) are 28.30.2 (for tractors) and 28.30.54–28.30.59 (for harvesters).

Sources: Rosstat, Bank of Russia calculations.

Chart B-3-3. Regional distribution of domestic agricultural machinery manufacturers



* Official statistics do not include data on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region.

Sources: SPARK-Interfax, Bank of Russia calculations.

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ANNEX. CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2022	2023	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	7.4	3.5	3.3	6.0	7.4	7.7	7.7	7.7	
Core inflation	% YoY	14.3	6.8	3.7	2.4	4.6	6.8	7.8	7.6	7.8	
Industrial production	3MMA, % YoY	0.7	3.5	-1.3	5.7	5.4	4.1		5.0		
Fixed capital investment	Cumulative, % YoY	6.7	9.8	1.0	8.0	10.5	9.8				
Construction	3MMA, % YoY	7.5	7.9	10.0	9.1	7.5	6.6		7.0		
Housing commissioning	3MMA, % YoY	11.0	7.5	-1.2	-0.6	4.1	30.3		27.3		
Retail	3MMA, % YoY	-6.5	6.4	-7.0	9.4	11.3	11.1		10.5		
Commercial services	3MMA, % YoY	5.0	4.4	2.8	5.0	4.9	5.0		5.9		
Real wages	3MMA, % YoY	0.3	7.8	1.6	11.4	8.6	8.6				
Real disposable income	% YoY	-0.6	4.6	2.0	5.0	3.7	6.8				
Unemployment	% SA	4.0	3.2	3.5	3.2	3.0	2.9		2.9		
Outstanding consumer loans	% YoY	2.5	16.3	4.9	12.4	16.9	16.3		17.4		
Outstanding mortgage loans	% YoY	17.7	30.1	16.0	23.5	29.1	30.1		28.8		
Funds in escrow accounts	% YoY	32.7	38.4	11.8	15.0	30.0	38.4		41.1		
Non-financial organisations' outstanding bank loans	% YoY	19.7	24.6	19.4	23.9	26.1	24.6		23.5		
• Large borrowers	% YoY	17.6	23.6	17.7	21.9	24.9	23.6		22.4		
• SMEs	% YoY	29.9	28.9	27.6	32.1	31.1	28.9		28.3		
Companies' price expectations	Balance of responses, SA	21.7	19.4	16.9	16.4	21.3	22.9	20.0	19.3	18.8	19.9
Business Climate Index	SA, pp	-0.1	6.8	5.3	8.7	6.0	7.1	8.5	7.7	10.6	10.1
• Current estimates	SA, pp	-6.1	1.1	-1.4	4.1	1.2	0.4	1.4	0.4	3.9	3.4
• Expectations	SA, pp	6.0	12.6	12.2	13.4	10.9	14.0	15.8	15.2	17.4	17.1

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	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.5	7.4	4.2	3.6	6.1	7.4	7.6	7.5	7.6	
Core inflation	% YoY	14.9	7.0	4.3	2.9	4.8	7.0	7.8	7.6	7.8	
Industrial production	3MMA, % YoY	9.2	13.5	6.3	13.6	16.2	16.8		15.3		
Fixed capital investment	Cumulative, % YoY	1.9	3.6	-3.6	4.9	5.3	3.6				
Construction	3MMA, % YoY	7.8	9.0	9.7	9.6	7.4	9.6		9.3		
Housing commissioning	3MMA, % YoY	12.6	0.3	-11.4	-9.7	-7.2	35.9		23.4		
Retail	3MMA, % YoY	-10.5	6.1	-11.6	9.7	13.1	14.2		12.4		
Commercial services	3MMA, % YoY	7.3	6.5	2.1	7.8	7.1	8.6		9.3		
Real wages	3MMA, % YoY	-0.9	6.7	-2.3	10.2	8.0	9.8				
Real disposable income	% YoY	-2.2	6.6	2.1	7.9	7.3	8.0				
Unemployment	% SA	3.0	2.5	2.8	2.6	2.4	2.3		2.1		
Outstanding consumer loans	% YoY	2.7	16.0	4.7	11.9	16.5	16.0		16.4		
Outstanding mortgage loans	% YoY	16.9	25.0	14.8	20.3	24.0	25.0		24.3		
Funds in escrow accounts	% YoY	39.6	24.9	16.1	15.7	25.5	24.9		28.8		
Non-financial organisations' outstanding bank loans	% YoY	15.6	24.5	18.3	23.1	24.5	24.5		21.9		
• Large borrowers	% YoY	13.2	24.2	16.2	20.8	23.9	24.2		22.0		
• SMEs	% YoY	30.1	26.2	30.1	34.7	27.2	26.2		21.6		
Companies' price expectations	Balance of responses, SA	28.3	25.7	19.9	22.2	29.2	31.4	25.8	24.6	25.3	25.3
Business Climate Index	SA, pp	0.2	6.6	5.8	5.6	5.5	9.7	10.3	10.0	10.9	7.7
• Current estimates	SA, pp	-6.3	0.4	-0.2	-0.1	-0.3	2.3	4.2	4.7	4.6	2.3
• Expectations	SA, pp	6.9	13.0	11.9	11.4	11.5	17.4	16.6	15.5	17.4	13.3

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	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	7.1	3.3	3.6	5.9	7.1	7.4	7.5	7.4	
Core inflation	% YoY	14.7	6.4	3.8	2.7	4.3	6.4	7.5	7.5	7.5	
Industrial production	3MMA, % YoY	0.5	4.3	-0.4	6.4	7.0	5.6		6.9		
Fixed capital investment	Cumulative, % YoY	-2.2	4.3	6.1	3.1	7.5	4.3				
Construction	3MMA, % YoY	-3.6	2.1	-0.4	-3.0	8.2	1.7		4.2		
Housing commissioning	3MMA, % YoY	8.4	1.7	-10.1	-6.1	15.7	12.2		7.2		
Retail	3MMA, % YoY	-6.3	7.3	-8.6	10.8	13.6	14.1		11.2		
Commercial services	3MMA, % YoY	4.8	3.0	3.8	2.2	3.8	2.3		6.4		
Real wages	3MMA, % YoY	0.4	6.5	0.6	10.3	7.5	6.6				
Real disposable income	% YoY	-1.3	4.2	1.1	5.6	5.5	4.2				
Unemployment	% SA	3.3	2.7	3.1	2.7	2.6	2.4		2.5		
Outstanding consumer loans	% YoY	1.7	13.5	3.8	10.9	14.9	13.5		14.2		
Outstanding mortgage loans	% YoY	15.3	23.0	12.7	18.0	21.8	23.0		22.2		
Funds in escrow accounts	% YoY	32.4	25.7	7.5	9.5	16.7	25.7		24.6		
Non-financial organisations' outstanding bank loans	% YoY	45.4	29.6	34.8	37.6	51.4	29.6		33.6		
• Large borrowers	% YoY	46.1	32.3	39.3	42.2	53.3	32.3		34.2		
• SMEs	% YoY	42.0	16.3	14.2	17.5	42.6	16.3		30.0		
Companies' price expectations	Balance of responses, SA	24.0	21.8	17.9	19.2	24.1	25.8	21.3	19.9	20.4	24.7
Business Climate Index	SA, pp	-4.5	2.9	0.9	3.4	2.4	4.9	6.4	7.1	6.6	4.6
• Current estimates	SA, pp	-9.8	-2.7	-5.2	-2.0	-2.2	-1.3	-0.7	0.1	-1.3	-2.8
• Expectations	SA, pp	1.0	8.7	7.2	9.0	7.1	11.4	13.8	14.2	14.9	12.3

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	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.4	7.1	3.7	3.2	5.9	7.1	7.3	7.4	7.3	
Core inflation	% YoY	14.7	6.6	3.5	2.2	4.4	6.6	7.4	7.2	7.4	
Industrial production	3MMA, % YoY	3.0	7.7	1.4	10.8	10.3	7.9		8.4		
Fixed capital investment	Cumulative, % YoY	4.7	18.3	2.0	9.2	15.4	18.3				
Construction	3MMA, % YoY	12.0	13.7	9.9	31.4	12.4	3.6		5.0		
Housing commissioning	3MMA, % YoY	3.8	9.9	14.5	9.1	-10.4	33.7		30.6		
Retail	3MMA, % YoY	-3.6	8.3	-1.6	11.9	11.3	11.6		10.3		
Commercial services	3MMA, % YoY	3.6	4.0	3.9	3.8	4.5	3.6		4.7		
Real wages	3MMA, % YoY	0.8	10.9	4.8	14.0	11.9	10.9				
Real disposable income	% YoY	-0.5	8.1	4.9	10.0	9.3	7.4				
Unemployment	% SA	3.2	2.4	2.7	2.5	2.2	2.0		2.0		
Outstanding consumer loans	% YoY	1.2	17.8	4.2	12.1	17.3	17.8		19.7		
Outstanding mortgage loans	% YoY	15.4	32.1	13.8	22.6	30.6	32.1		30.7		
Funds in escrow accounts	% YoY	11.6	47.9	-7.3	1.3	26.5	47.9		50.2		
Non-financial organisations' outstanding bank loans	% YoY	11.0	18.3	8.4	14.2	15.1	18.3		17.6		
• Large borrowers	% YoY	8.0	12.2	4.9	9.5	8.8	12.2		11.3		
• SMEs	% YoY	18.8	32.5	17.4	24.8	29.8	32.5		32.4		
Companies' price expectations	Balance of responses, SA	28.6	26.2	21.0	23.3	30.5	30.0	25.1	24.4	25.6	27.1
Business Climate Index	SA, pp	1.0	9.2	8.1	10.8	7.7	10.3	11.2	10.0	13.8	13.1
• Current estimates	SA, pp	-6.6	2.4	-0.3	5.1	2.0	2.7	3.9	2.3	7.4	5.2
• Expectations	SA, pp	8.8	16.4	16.9	16.7	13.7	18.1	18.8	18.0	20.4	21.2

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

Core indicators. Southern Main Branch

Table 5

		2022	2023	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.7	7.8	4.0	3.6	6.7	7.8	7.8	7.7	7.8	
Core inflation	% YoY	14.4	6.8	5.0	2.7	4.9	6.8	7.9	7.5	7.9	
Industrial production	3MMA, % YoY	5.3	2.7	-0.9	6.3	7.6	-1.7		0.0		
Fixed capital investment	Cumulative, % YoY	8.7	8.1	13.1	16.3	11.3	8.1				
Construction	3MMA, % YoY	6.9	4.1	41.1	8.4	-2.0	-7.3		-6.7		
Housing commissioning	3MMA, % YoY	18.0	11.3	-3.3	-11.1	23.1	40.3		34.6		
Retail	3MMA, % YoY	-2.4	7.3	-0.2	11.6	9.6	7.9		9.3		
Commercial services	3MMA, % YoY	5.4	2.9	2.8	3.4	2.7	2.8		3.4		
Real wages	3MMA, % YoY	-0.9	7.1	4.8	10.5	6.9	6.1				
Real disposable income	% YoY	-0.3	6.8	7.1	8.4	6.8	5.3				
Unemployment	% SA	6.4	5.3	5.7	5.3	5.2	5.2		5.1		
Outstanding consumer loans	% YoY	3.1	19.8	5.8	13.7	18.9	19.8		21.8		
Outstanding mortgage loans	% YoY	24.9	43.4	25.1	35.4	43.2	43.4		40.9		
Funds in escrow accounts	% YoY	25.1	105.7	18.8	42.2	71.3	105.7		109.7		
Non-financial organisations' outstanding bank loans	% YoY	27.2	21.0	28.1	31.1	18.5	21.0		18.5		
• Large borrowers	% YoY	22.6	8.5	23.0	24.9	7.5	8.5		4.2		
• SMEs	% YoY	38.1	46.8	39.6	43.3	43.0	46.8		48.7		
Companies' price expectations	Balance of responses, SA	21.5	19.2	15.9	16.2	22.9	21.7	17.3	16.2	16.9	18.9
Business Climate Index	SA, pp	1.4	6.5	6.0	6.9	5.6	7.3	9.2	8.1	10.1	10.4
• Current estimates	SA, pp	-4.7	0.2	-0.7	1.6	-0.5	0.3	0.2	-1.1	1.8	1.1
• Expectations	SA, pp	7.8	12.9	12.9	12.4	11.9	14.5	18.6	17.8	18.7	20.2

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

Core indicators. Ural Main Branch

Table 6

		2022	2023	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.0	6.7	2.2	2.2	5.0	6.7	7.5	7.4	7.5	
Core inflation	% YoY	12.4	6.0	1.5	1.0	3.2	6.0	7.4	7.1	7.4	
Industrial production	3MMA, % YoY	0.0	1.9	-1.5	4.3	2.0	1.9		1.9		
Fixed capital investment	Cumulative, % YoY	10.0	5.0	-7.8	0.4	3.5	5.0				
Construction	3MMA, % YoY	-0.5	5.6	3.3	5.7	4.7	7.6		7.1		
Housing commissioning	3MMA, % YoY	11.2	9.3	3.6	13.4	9.6	11.7		25.7		
Retail	3MMA, % YoY	-5.1	8.7	-1.3	12.8	13.6	9.2		9.7		
Commercial services	3MMA, % YoY	2.7	3.6	3.1	4.4	4.0	2.8		3.9		
Real wages	3MMA, % YoY	1.4	9.6	5.8	13.9	9.5	7.8				
Real disposable income	% YoY	-0.5	7.7	6.9	10.8	8.4	5.1				
Unemployment	% SA	3.3	2.5	2.8	2.5	2.4	2.3		2.3		
Outstanding consumer loans	% YoY	1.6	16.4	4.3	12.1	17.1	16.4		18.0		
Outstanding mortgage loans	% YoY	16.5	32.6	15.6	24.8	31.8	32.6		30.7		
Funds in escrow accounts	% YoY	21.9	69.3	3.4	11.1	37.8	69.3		70.8		
Non-financial organisations' outstanding bank loans	% YoY	17.4	19.0	13.1	18.4	18.8	19.0		18.2		
• Large borrowers	% YoY	16.0	14.2	8.9	14.4	14.3	14.2		13.5		
• SMEs	% YoY	25.9	44.6	38.3	39.0	42.2	44.6		43.0		
Companies' price expectations	Balance of responses, SA	24.2	19.4	16.2	16.6	21.6	23.2	21.2	20.1	18.8	20.8
Business Climate Index	SA, pp	1.8	9.9	8.9	10.5	10.0	10.3	12.3	11.8	12.5	9.2
• Current estimates	SA, pp	-4.3	4.8	1.9	6.5	6.2	4.6	5.6	6.4	4.4	3.2
• Expectations	SA, pp	8.2	15.1	16.0	14.5	13.9	16.1	19.3	17.5	20.9	15.5

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

Core indicators. Siberian Main Branch

Table 7

		2022	2023	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.7	8.2	3.4	3.2	6.6	8.2	8.6	8.8	8.6	
Core inflation	% YoY	14.2	7.6	2.6	1.8	4.7	7.6	8.7	8.6	8.7	
Industrial production	3MMA, % YoY	1.2	-1.4	-2.0	0.5	-2.5	-1.7		1.2		
Fixed capital investment	Cumulative, % YoY	8.1	5.3	6.9	5.8	9.4	5.3				
Construction	3MMA, % YoY	18.5	-6.2	2.5	-8.7	-0.2	-13.3		-3.1		
Housing commissioning	3MMA, % YoY	3.5	22.4	12.0	29.5	3.0	54.5		48.7		
Retail	3MMA, % YoY	-2.7	7.2	-3.4	10.7	11.9	8.9		9.4		
Commercial services	3MMA, % YoY	5.5	3.7	3.7	5.1	4.0	2.3		2.0		
Real wages	3MMA, % YoY	1.9	8.7	4.4	12.7	8.5	7.3				
Real disposable income	% YoY	-0.6	7.0	5.8	11.4	9.0	2.6				
Unemployment	% SA	4.8	3.6	3.9	3.8	3.6	3.2		3.2		
Outstanding consumer loans	% YoY	3.7	15.5	6.2	13.8	17.4	15.5		16.5		
Outstanding mortgage loans	% YoY	17.3	33.0	16.2	25.5	32.3	33.0		31.7		
Funds in escrow accounts	% YoY	25.0	67.9	13.6	17.6	52.9	67.9		66.2		
Non-financial organisations' outstanding bank loans	% YoY	17.0	29.7	10.9	13.5	24.7	29.7		29.8		
• Large borrowers	% YoY	11.8	34.6	5.3	5.2	25.8	34.6		34.9		
• SMEs	% YoY	33.8	16.7	29.5	35.1	21.6	16.7		15.8		
Companies' price expectations	Balance of responses, SA	25.0	23.6	18.9	19.4	27.1	28.9	23.9	21.7	22.8	23.5
Business Climate Index	SA, pp	2.4	10.4	9.2	13.1	8.8	10.4	11.4	11.1	12.9	12.8
• Current estimates	SA, pp	-5.7	3.0	1.2	6.1	2.3	2.6	2.7	2.6	4.4	3.7
• Expectations	SA, pp	10.8	17.9	17.6	20.3	15.5	18.4	20.5	19.9	21.6	22.4

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	2023	2023	2023	2023	2024	Feb	Mar	Apr
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	8.0	5.2	4.0	7.1	8.0	8.4	8.3	8.4	
Core inflation	% YoY	14.0	8.3	5.5	3.7	6.5	8.3	8.9	8.7	8.9	
Industrial production	3MMA, % YoY	-4.2	3.2	-4.2	5.8	12.4	5.7		4.0		
Fixed capital investment	Cumulative, % YoY	14.5	19.4	22.9	21.5	25.1	19.4				
Construction	3MMA, % YoY	12.6	22.0	12.5	26.0	37.0	12.7		7.1		
Housing commissioning	3MMA, % YoY	13.7	21.4	45.1	25.4	10.3	14.2		25.0		
Retail	3MMA, % YoY	-0.6	4.3	-2.7	4.5	6.7	8.2		7.0		
Commercial services	3MMA, % YoY	-0.9	0.4	-2.3	2.3	0.9	0.8		3.5		
Real wages	3MMA, % YoY	0.1	5.2	1.5	6.2	6.0	5.4				
Real disposable income	% YoY	-0.5	4.0	3.2	5.5	6.6	1.7				
Unemployment	% SA	3.9	3.0	3.1	3.0	2.9	2.9		2.8		
Outstanding consumer loans	% YoY	3.7	12.5	6.4	12.7	15.5	12.5		13.5		
Outstanding mortgage loans	% YoY	23.3	32.8	20.2	27.0	31.4	32.8		31.2		
Funds in escrow accounts	% YoY	34.0	46.0	12.9	14.2	28.1	46.0		40.4		
Non-financial organisations' outstanding bank loans	% YoY	18.9	32.3	27.3	29.8	30.6	32.3		33.4		
• Large borrowers	% YoY	21.0	33.7	33.0	34.6	35.8	33.7		35.3		
• SMEs	% YoY	11.0	26.3	7.6	15.0	11.1	26.3		25.7		
Companies' price expectations	Balance of responses, SA	21.0	18.8	17.0	16.2	20.4	21.6	16.8	16.6	15.3	15.7
Business Climate Index	SA, pp	1.7	7.4	5.8	8.5	7.3	8.1	8.2	7.1	9.6	8.3
• Current estimates	SA, pp	-4.3	0.7	-1.9	3.4	0.6	0.6	2.6	1.0	5.1	3.3
• Expectations	SA, pp	8.0	14.4	13.9	13.7	14.2	15.8	14.0	13.4	14.3	13.3

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