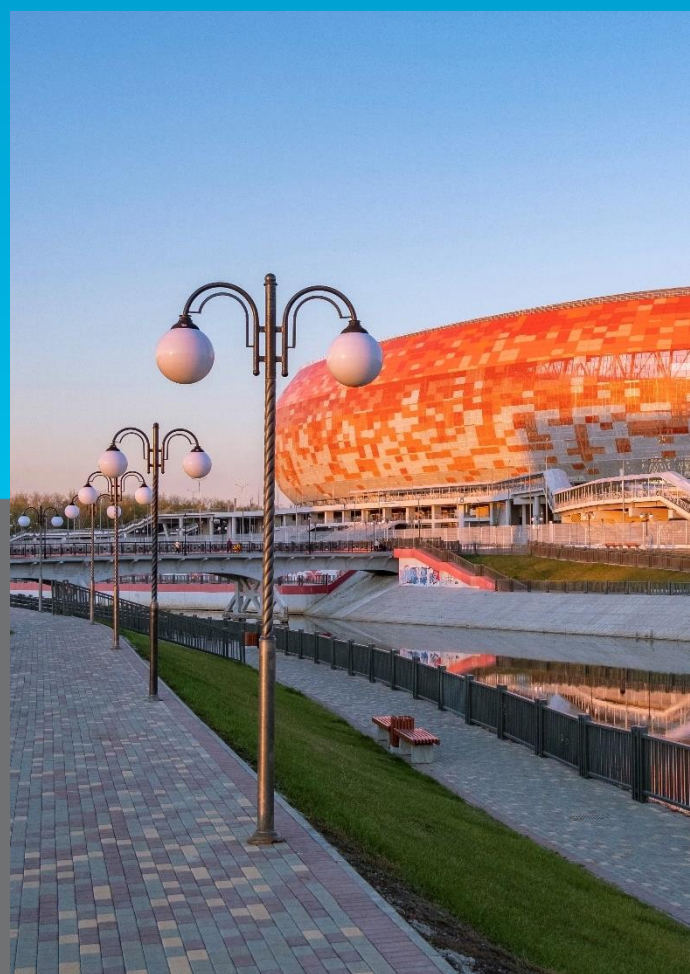




Bank of Russia



REGIONAL ECONOMY: COMMENTARIES BY BANK OF RUSSIA MAIN BRANCHES

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29 May 2024

The report was prepared by the economic divisions of the Bank of Russia regional branches jointly with the Monetary Policy Department.

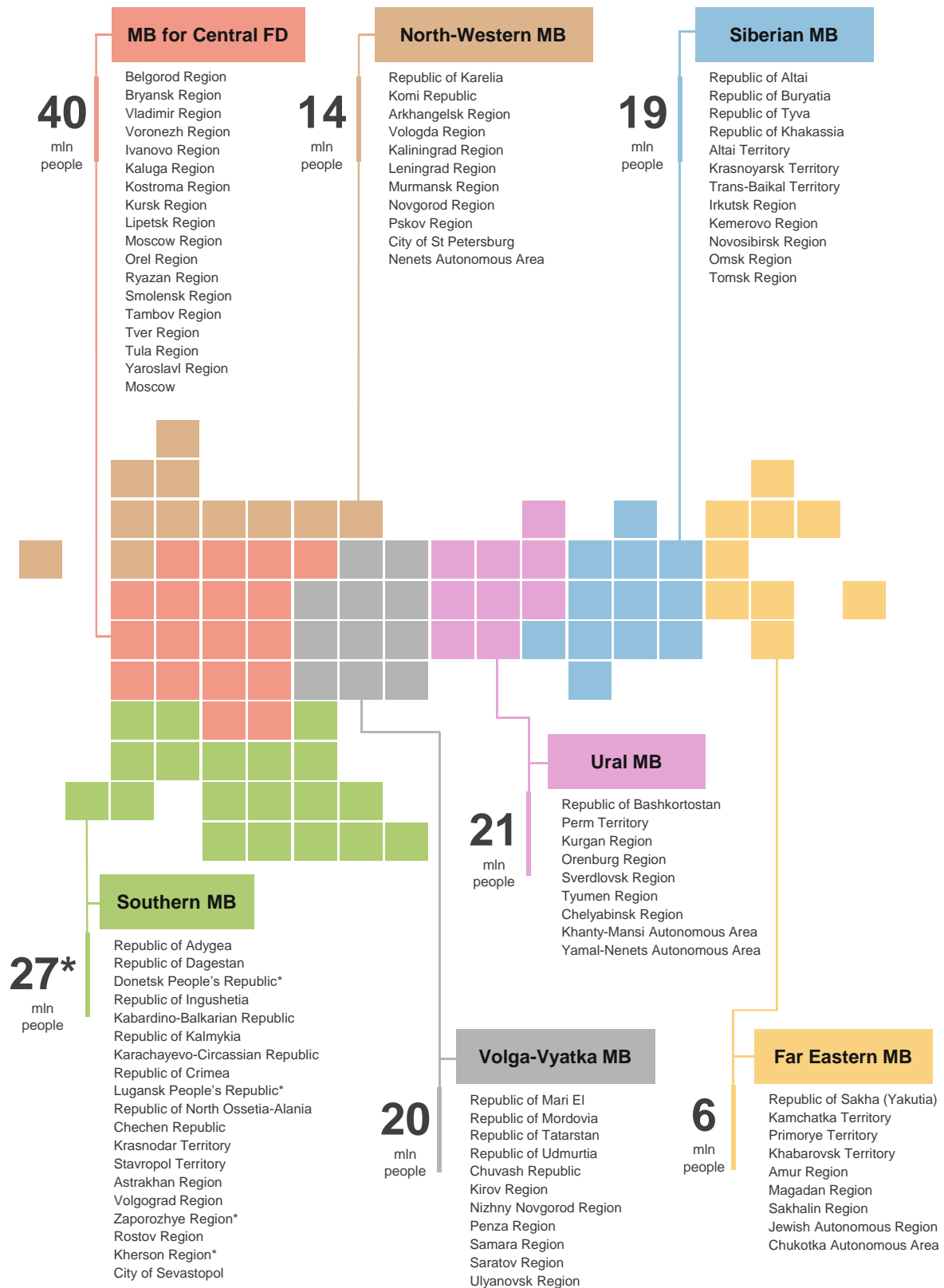
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* Official statistics on the main social and economic indicators of the constituent territories of the Russian Federation do not include statistics on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson 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 country-wide and local factors. All this is an integral part of the information the Bank of Russia's management needs to make monetary policy decisions. This Report is considered by the Bank of Russia's management in the course of preparations for making key rate decisions.

¹ In May 2024, we surveyed 15,025 companies.

RUSSIAN FEDERATION

Economic growth continued in April–May 2024, driven by expanding domestic demand in all macro-regions. Consumer activity remained elevated owing to an increase in both incomes and lending. Inflationary pressure edged up in April 2024. High deposit rates encouraged households to build up savings. Amid high utilisation of production capacities enterprises invested in the further development of their business. Lending to companies, predominantly small and medium-sized enterprises, was growing fast. The labour market remained tight.

Business activity continued to increase. The expansion of goods and services output was mainly fuelled by growth in domestic public and private demand. Non-commodity non-energy sectors also increased export supplies. Businesses actively invested in the expansion of production capacities. This helped companies ramp up food output, in particular in Central Russia, the North-West and the Volga Region. Siberia upgraded a number of fuel and energy enterprises. The real estate market registered a larger number of apartment buildings under construction (see the Box 3 *'Industry focus. Construction of apartment buildings'*). To overcome logistics problems, the South of Russia, the Urals, and the Far East developed the transport infrastructure.

The labour market remained tight. The unemployment rate hit record lows in most regions. Tougher competition for employees made companies spend more on wages. According to the survey of businesses, considerable shortages of both highly qualified and low-skilled workers persisted.

Consumer activity remained high. Active growth seen in most regions over the past months stabilised in April–May as demand for non-food durables was met amid high inflation expectations. The rise in tourism contributed to an increase in the passenger traffic (see the Box 2 *'Tourism and passenger transportation market'*). Consumer sentiment remained at its multi-year highs owing to higher costs, among other things.

Growth in consumer prices (seasonally adjusted) accelerated in most macro-regions in April considerably exceeding 4% in annualised terms. According to the latest surveys, both households' inflation expectations and businesses' price expectations were still substantially above the values of 2017–2019 when inflation was close to the Bank of Russia's target.

Demand for loans and deposits continued to expand. Lending to businesses, primarily to small and medium-sized enterprises (SMEs), continued to grow fast owing to government support measures, among other things. Car lending notably contributed to the expansion of the retail portfolio in March–April. As for the mortgage segment, the amount of loans issued under the government subsidised programmes remained substantial amid a slowdown in the market-based mortgage lending. The existing price conditions encouraged households to open short-term ruble deposits (see the Box 2 *'Monetary conditions and credit and deposit markets'*).

KEY TRENDS IN RUSSIAN REGIONS

MAIN BRANCH FOR THE CENTRAL FEDERAL DISTRICT. Industrial production continued to grow faster than across Russia in general, driven by higher output of consumer and investment goods. The frost to which the district was exposed in the first half of May adversely affected the expectations for the total yield and productivity of individual crops. This in turn may push up food input costs.

NORTH-WESTERN MAIN BRANCH. Consumer activity in the macro-region remained high in April–May. Companies' price expectations were up. Wood processing enterprises expanded their product ranges taking into account the needs of furniture manufacturers, among other factors. The manufacture of meat and dairy products in the North-West increased faster than across Russia in part due to investment in the expansion of output.

VOLGA-VYATKA MAIN BRANCH. The macro-region's carmakers expanded their model ranges. Growing domestic demand allowed some metal makers to hit record highs in terms of output. The growing tourist traffic increased turnover of catering companies and encouraged them to open new cafés and restaurants.

SOUTHERN MAIN BRANCH. The growth rate of consumer activity edged down remaining above the Russian average on account of the non-food segment. Expanding supply of individual types of food slowed down annual inflation. The frost that affected the macro-region in early May will not substantially impact the yields of 2024. Proactive growth in machine building resulted from an increase in the output of transport vehicles.

URAL MAIN BRANCH. Consumer expenditure rose more slowly in April and demonstrated a downward trend in May. Business activity in metallurgy was limited owing to a decrease in the number of domestic orders from the construction and oil and gas sectors and difficulties with the export of non-ferrous metals.

SIBERIAN MAIN BRANCH. Industrial production in the macro-region expanded more slowly than across Russia on account of the key sectors of the Siberian economy (coal production and metallurgy). They reduced output due to more intensive sanction pressure and amounting logistics problems. Unscheduled repairs at oil refineries in the European part of Russia caused the Siberian refineries to increase their production capacity utilisation rates.

FAR EASTERN MAIN BRANCH. Consumer activity continued to grow. Unlike Russia in general, the Far Eastern ports reduced container shipments owing to restrictions on the rail transportation of containers to the Far East. Recovery growth in the logging and wood processing continued, driven by the expansion into new sales markets. However, growth rates remained below the Russian averages in part due to the tougher competition for exports between enterprises from the macroregion and other Russian regions that had switched to the Asian markets.

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	Apr24	7.8	7.7	7.6	7.5	7.7	7.6	8.8	8.6
Core inflation	% YoY	Apr24	8.3	8.2	8.1	7.8	8.2	7.8	9.3	9.5
Industrial production	3MMA, % YoY	Mar24	5.6	13.9	7.5	7.2	9.1	2.4	2.3	4.4
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	Mar24	3.5	2.6	1.0	0.6	-14.2	10.2	12.0	12.4
Housing commissioning	3MMA, % YoY	Apr24	1.9	-13.4	2.0	9.4	22.2	2.7	-0.9	2.6
Retail	3MMA, % YoY	Mar24	10.4	11.3	9.7	10.9	11.3	10.9	11.1	6.1
Commercial services	3MMA, % YoY	Mar24	5.8	9.3	6.7	4.8	3.5	4.3	1.6	2.8
Real wages	3MMA, % YoY	Feb24	9.2	10.7	6.4	10.8	6.9	8.8	8.0	6.6
Real disposable income	% YoY	2023 Q4	6.9	10.3	3.1	4.9	0.5	10.7	6.4	5.3
Unemployment	% SA	Mar24	2.8	2.0	2.5	2.0	4.9	2.2	3.1	2.6
Outstanding consumer loans ²	% YoY	Apr24	18.8	17.9	15.5	21.4	23.6	19.1	17.5	14.3
Outstanding mortgage loans	% YoY	Apr24	26.1	22.3	20.2	27.9	37.1	27.2	28.2	28.2
Funds in escrow accounts	% YoY	Apr24	37.8	28.4	15.9	53.1	96.0	55.6	58.8	37.1
Non-financial organisations' outstanding bank loans	% YoY	Mar24	23.2	21.7	35.3	16.1	17.1	16.5	29.6	33.3
• Large borrowers	% YoY	Mar24	22.3	21.4	36.6	9.5	3.6	13.8	35.1	35.2
• SMEs	% YoY	Mar24	26.9	23.3	28.1	31.1	44.0	29.1	15.1	25.2
Companies' price expectations ³	Balance of responses, SA	May24	19.6	26.3	25.2	27.0	19.5	20.9	24.7	18.0
Business Climate Index	SA, pp	May24	11.1	8.6	6.0	14.5	8.5	11.7	15.1	10.9
• Current estimates	SA, pp	May24	6.2	2.9	1.1	9.9	3.0	6.5	9.1	5.8
• Expectations	SA, pp	May24	16.1	14.5	11.1	19.2	14.3	17.0	21.3	16.1

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

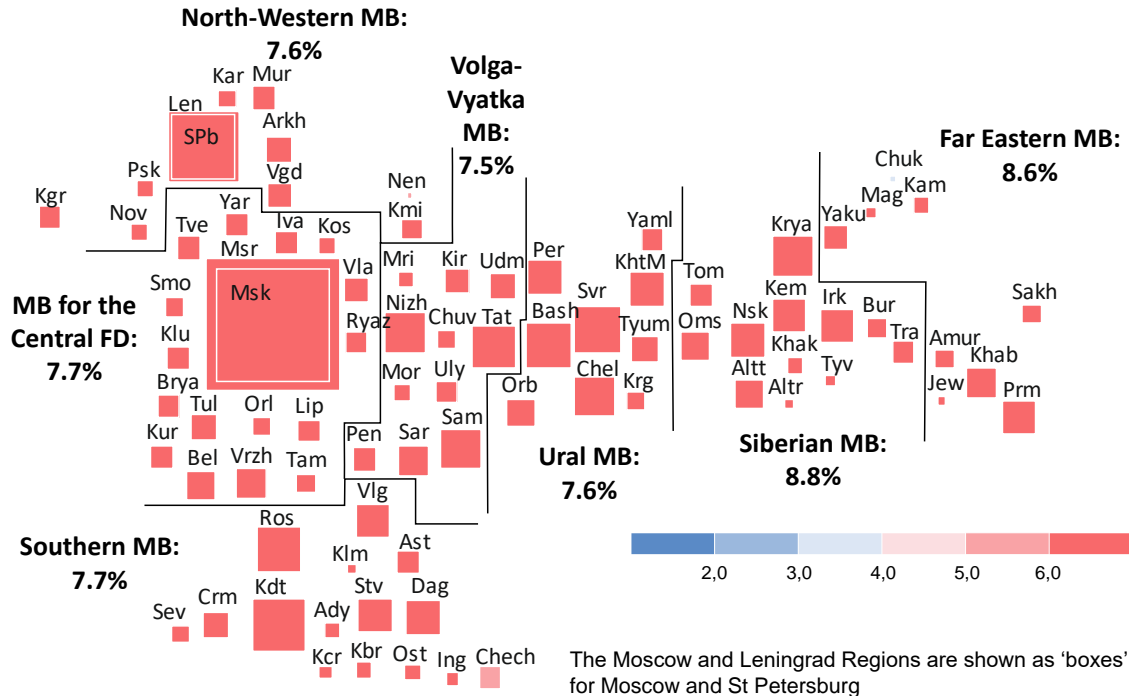
² Hereinafter, outstanding bank loans are given adjusted for foreign currency revaluation, according to Reporting Forms 0409316 'Loans to households' and 0409303 'Loans to legal entities'. These reporting forms are used to carry out regional analysis, since they enable the aggregation of indicators by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

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



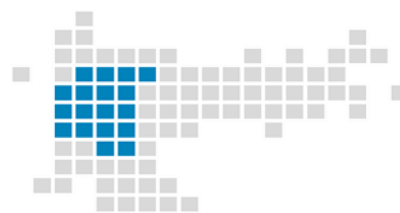
Note. The lines on the map divide the regions of operation of the Bank of Russia MBs.

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	Msr	Moscow Region	Tom	Tomsk Region
Vgd	Vologda Region	Mor	Republic of Mordovia	Tul	Tula Region
Vrzh	Voronezh Region	Msk	Moscow	Tyv	Republic of Tyva
Dag	Republic of Dagestan	Mur	Murmansk Region	Tyum	Tyumen Region (excl. Autonomous Areas)
Jew	Jewish Autonomous Region	Nen	Nenets Autonomous Area	Udm	Republic of Udmurtia
Tra	Trans-Baikal Territory	Nizh	Nizhny Novgorod Region	Uly	Ulyanovsk Region
Iva	Ivanovo Region	Nov	Novgorod Region	Khab	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 April–May 2024, consumer activity was growing more slowly than in March. In April, inflation sped up. Companies' price expectations went up in May. The increase in food production accelerated. Banks and developers believe that April's growth in mortgage market activity was fuelled by the expected termination of the non-targeted subsidised programme in July. Savings activity remained elevated in April supported by the increase in time deposits owing to high rates.

CONSUMPTION AND INCOMES. According to high-frequency data, consumption in Central Russia expanded more slowly in April and early May than in March owing to moderate demand for non-food durables, overall. April saw a decrease in demand for cars, digital devices, and household appliances, which had been elevated in the previous months. Demand for consumer goods and catering services remained high. A major retailer reported an increase in demand for products and the expansion of its network of stores. The retailers' expectations for demand for the next three months improved. The number of visitors to cafés and restaurants increased, driven by the growing tourist flow in the Voronezh, Vladimir, and Smolensk Regions. Owing to higher pressure on the payroll budget, companies applied non-financial incentives more often in order to retain employees. For example, they expanded additional medical insurance and continuous education programmes and provided employees with access to external legal aid platforms. According to a survey, the share of respondents expecting their financial standing to improve next year decreased in the macroregion.

PRICES. In April 2024, the macro-region reported an acceleration in annual and monthly price growth (seasonally adjusted). This was mainly due to higher prices for cars and motor fuel, household appliances, bakery products and confectionery, telecommunications and personal services, driven by increasing costs and a growing gap between demand and supply. According to Rosstat weekly data, the price growth rate remained the same in May 2024. Price expectations were up in the region in May amid higher costs.

MONETARY CONDITIONS AND BANKING SECTOR. Bank lending conditions tightened in 2024 Q1 vs 2023 Q4 owing to growth in loan rates. According to banks, businesses' demand for new loans was down in 2024 Q1. As of early April, annual growth in the portfolio of loans issued to major enterprises slowed down and that in the portfolio of loans issued to SMEs (especially those providing professional and scientific and technical services and performing financial, insurance, trade and construction activity) accelerated. The increase in the retail loan portfolio slowed down in April vs March (seasonally adjusted) owing to weaker growth in mortgage loans. Market-based mortgage lending was not expanding because of high rates and macroprudential measures. The government subsidised mortgage lending expanded vs March, driven by the expected termination of the targeted subsidised programme in July and possible changes in other programmes. Growth in consumer lending sped up, fuelled by high consumer confidence amid increasing incomes. Car lending decreased after the record values of March owing to a rise in car prices following the introduction of a new scheme for calculating the recycling fee on 1 April. As compared with March,

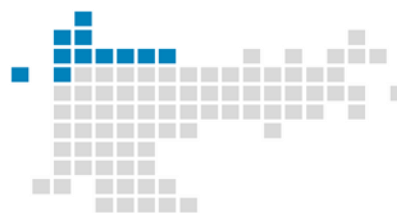
the inflow of household funds into banks accelerated in April on account of time deposits as the rates remained high.

CROP PRODUCTION. The macro-region grows around a quarter of the Russian grains, almost a third of oil crops, and more than a half of sugar beet crops. Owing to the abnormally low temperatures recorded in the first half of May, the Belgorod, Voronezh, Kursk, Lipetsk, Orel, and Tambov Regions declared a state of emergency because of the frost. For this reason, agricultural enterprises applied for insurance payments and requested that targets be eased for subsidy recipients. The lost crops in the affected regions accounted for around 5%. Wheat, sugar beet, and sunflower crops were substantially damaged. The harvest forecast relating to these crops has been decreased by 10%–15%. The negative impact of weather conditions may be partially offset by the replanting and restoration of crops when the weather conditions improve. In addition to annual crops, the frost also affected perennial plantings, including apple orchards in the Belgorod, Voronezh, Lipetsk, Kursk, and Tambov Regions. According to preliminary estimates, a part of apple trees was damaged in the macro-region. The total yield of damaged crops is expected to decrease owing to a decline in the crop productivity, which may affect the cost of plant products. The situation in potato and vegetable production is currently stable.

FOOD MANUFACTURE. Food output in Central Russia increased fast between January and March. In 2024 Q1, the macro-region manufactured almost three times more products than a year ago. This was due to the launch of new capacities and the high availability of raw materials. In February 2024, the Belgorod Region launched a facility to can pork. Russian equipment accounts for 95% of all the equipment used by the facility. The macro-region manufactures more than a half of all the domestic baby food. The Lipetsk Region is the leading manufacturer. Producers report stable demand for and an expanding range of these products. The switch to Asian suppliers resolves the issue with the supplies of packaging. Enterprises report staff shortages and higher transportation costs.

PERSONAL SERVICES. Growth in the scope of personal services provided to households in the macro-region continued to accelerate in March. Seeking to extend the service life of their cars, car owners tended to use additional services of service stations (including comprehensive diagnostics) more often. The increase in demand for services to store and dispose of tires in spring exceeded standard seasonal growth. The service stations in the Moscow Region reported a rise in costs, driven by higher wages amid staff shortages and rising prices for consumables resulting from logistics difficulties. Therefore, prices for the services of tire shops and car maintenance centres were up. The increase in costs on purchasing and repairing personal cars encourages the development of the car sharing in 2024. Greater demand for trips across the Moscow Region and to Moscow from nearby towns stimulates the expansion of the car sharing in the Moscow metropolitan area.

BANK OF RUSSIA NORTH-WESTERN MAIN BRANCH



Consumer activity in the North-West remained elevated in April–May. Wood processing enterprises ramped up output to meet demand from furniture manufacturers, among other things, and used marketplaces for retail sales. Carmakers continued their import substitution efforts. Companies' price expectations were up in most major sectors in May.

CONSUMPTION AND INCOMES. The growth rate of consumer activity edged down in the macro-region in April. Current demand estimates of retailers decreased. The annual increase in car sales slowed down. The traffic in St Petersburg shopping malls declined as compared with March. In the North-West, services enterprises, including hotels and catering companies, also recorded a slowdown in demand growth. However, businesses reported an increase in consumer activity in May, according to the survey. During the May holidays, tourism made a significant impact. Thus, the Kaliningrad Region became the most popular tourist destination for the long weekend. Demand for tours to the region gained 40% year-on-year. In the North-West, wages continued to grow in a persistently tight labour market, as reported by representatives of various sectors. The most notable increase in wages was registered in construction, IT, and telecommunications in annualised terms.

PRICES. In April, annual inflation edged up in the North-West. Seasonally adjusted monthly price growth was also up. According to weekly data, inflation accelerated somewhat in early May owing to a rise in the prices for goods demonstrating both volatile and more stable price dynamics. Companies' price expectations increased in May in the majority of industries, excluding agriculture.

MONETARY CONDITIONS AND BANKING SECTOR. Annual growth in the corporate loan portfolio sped up in the North-West as of early April, mainly fuelled by loans granted to major trade organisations. Retail lending increased less quickly in April because of decelerating growth in mortgage loans. However, the amount of loans granted as part of government subsidised mortgage programmes was up in March–April, with the half of them issued under the Family Mortgage programme. Car lending decreased in April in part due to a contraction in demand following the change in the methodology for calculating recycling fees. High deposit rates prompted households to continue investing funds in deposits.

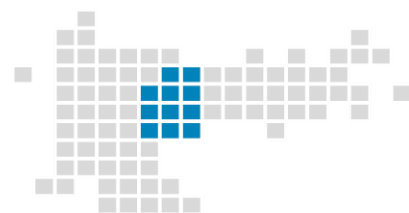
MACHINE BUILDING. In 2024 Q1, North-Western carmakers continued to ramp up their output. This was due to the expansion in domestic demand, fuelled by import substitution, among other factors. For example, in early 2024, the North-West was the first Russian macro-region to launch the manufacture of marine containment booms to contain emergency oil spills. In early April, the Kaliningrad Region commissioned a facility to manufacture wear-resistant plates for the oil and gas industry. A Novgorod-based company received an order to develop and manufacture test samples of a domestic engine for a drilling rig. Rising external demand also encouraged enterprises to ramp up output. For example, in early May, a machine-building plant in Karelia shipped pipeline fittings it had manufactured to a South Asian country implementing a project to construct a nuclear power plant. Moreover, enterprises continue to expand and upgrade their production capacities. In April, St Petersburg started the construction of a plant to manufacture machine tools for the aviation and

space industry, and other areas of machine building. However, enterprises reported persistent payment issues and acute staff shortages.

WOOD PROCESSING. In 2024 Q1, the manufacture of processed wood products trended upwards. To meet high demand from domestic furniture manufacturers, North-Western enterprises ramped up the output of board products. For instance, a Vologda-based company launched a new facility to manufacture fibreboards in order to expand its product range. Moreover, a Novgorod-based company mastered the manufacture of other types of popular products, such as decorative elements for furniture, edges, and table tops. Some enterprises in the Novgorod Region and the Republic of Komi developed retail sales (of furniture, fuel bricks, wood for fireplaces, in particular) expanding their presence in marketplaces. Amid rising external demand, the companies of the macro-region increased export supplies. For example, wood processing enterprises from the Vologda Region reported a manifold increase in the amount of sawn lumber shipped to Asia, the Middle East, and Latin America since the beginning of the year. However, individual companies reported a worse situation with logistics. High utilisation of the rail infrastructure delayed deliveries to the East.

MANUFACTURE OF MEAT AND DAIRY PRODUCTS. In 2024 Q1, the manufacture of meat and dairy products in the macro-region exceeded the values of 2023 Q1. Owing to high demand and measures of government support, companies upgraded the existing production facilities and launched new ones. The Kaliningrad Region plans to open a new plant to manufacture whole and dry milk and butter this summer. A Novgorod-based producer commissioned new packaging equipment and mastered the manufacture of new products. To meet high demand, a major regional manufacturer of meat products plans to launch additional facilities. Expansion into foreign sales markets enables companies to ramp up output further. For example, a Pskov-based producer started to supply pork and frozen by-products to an Asian country in April. Concurrently, the macro-region develops the raw materials base. For instance, milk farms are being constructed and a compound feed plant recommenced operation after staying idle for two years in the Leningrad Region.

BANK OF RUSSIA VOLGA-VYATKA MAIN BRANCH



Consumer expenses rose more slowly in April–May as elevated demand for imported cars partially faded. The carmakers of the macro-region maintained high output and expanded their model ranges. In metallurgy, output was driven by the substitution of external demand with domestic demand. In the agroindustrial complex, output was backed by the implementation of investment projects and the increasing attractiveness of export.

CONSUMPTION AND INCOMES. According to the survey of businesses, in April–May, consumer activity continued to expand, but its growth slowed down as compared with March. Sales of new foreign cars declined. They made the main contribution to the increase in consumption in March. However, car dealers continued to report strong demand for domestic cars. Sellers of home improvement goods also reported high demand and positive expectations for the coming months. Representatives of shopping malls also pointed out that weather conditions impacted the traffic: in April, the number of visitors was lower than last year owing to warmer weather. However, due to the drop in temperatures during the May holidays the traffic exceeded the values usually associated with this period. Consumption of services continued to grow quickly, driven by domestic tourism, among other factors. Market participants expect the tourist flow to increase as compared with 2023. This in turn still maintains the rise in sales in public catering: many regions opened new cafés and restaurants.

PRICES. In April, monthly price growth (seasonally adjusted) sped up vs March. Prices for some food, in particular dairy products and confectionery, started to rise more notably. In addition, the monthly decline in prices for cars and equipment which was observed in February–March came to a halt. Services demonstrated diverse dynamics: the prices for telecommunications services surged, while growth in volatile prices for transport and foreign travel slowed down. In May, businesses' price expectations edged up with more enterprises pointing out that this was due to high demand.

MONETARY CONDITIONS AND BANKING SECTOR. The monthly increase in the business loan portfolio accelerated to reach the averages of the previous years by early April. The rates in the corporate segment were down in March. As estimated by banks, corporate lending conditions in 2024 Q1 were not as tight as in 2023 H2. Growth in consumer lending notably accelerated in March–April. This was fuelled by the expansion of car lending amid elevated demand for cars, among other factors. Mortgage lending was growing somewhat more slowly in April than in March. However, in 2024 Q1, credit institutions expected household demand to pick up in both segments of retail lending in the next three to six months. As the interest rates on deposits remained attractive, household funds with banks continued to increase quickly.

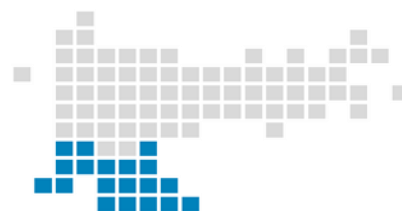
AUTOMOBILE INDUSTRY. In March–April, the output of cars in the macro-region remained historically high. In addition, the previous decline in the sales of cars manufactured in Volga-Vyatka (seasonally adjusted) was followed by steady growth in spring: in March, the sales reached ten-year highs and stayed close to them in April. The increase in sales was in part fuelled by the expansion of supply. For example, a major automobile plant increased the number of available variants of

popular models: for one model, it produced a limited batch of cars with an improved configuration and started a progressive assembly of a luxury variant of another model. The manufacturers of light commercial trucks assembled more vehicles in 2024 Q1. As for the segment of commercial vehicles, a regional manufacturer of light trucks continued to expand the model range and started the production of a medium duty truck on the basis of a Chinese model in March. In May, the macroregion relaunched a plant that had not been assembling vehicles since 2022. Currently, the enterprise produces one more model of a domestic brand in two variants – a light commercial van and a passenger vehicle.

METALLURGY. In March–April 2024, sectoral output edged up while remaining below the values of late 2021. According to the Bank of Russia's survey conducted in May, businesses notably increased their assessments of the current output. Continuing strong domestic demand was a core factor boosting business activity. However, individual territories in the macro-region demonstrated diverse trends. In some regions, output was still below the values of late 2021 despite an increase in the number of orders from domestic consumers. For example, a metallurgical plant in the macro-region believed that this was caused by a decline in external demand. Another major metal maker pointed out that the reduced output was associated with a decrease in the number of orders from exporters of raw materials. In other regions, growing domestic demand pushed businesses' output close to multi-year highs. For example, some metallurgical companies reported that state orders had been increasing since early 2024, which enabled some firms to offset the decline in external demand. The number of orders from the private sector, in particular manufacturers of various types of transport and the cable industry, was also up. All this encouraged metal makers to invest in the expansion of output and speed up the implementation of individual investment projects.

CATTLE BREEDING AND FOOD INDUSTRY. In 2024 Q1, annual growth in the production of livestock for slaughter accelerated. This was associated with the implementation of investment projects and the expansion of production facilities. For example, one of the regions commissioned a livestock breeding complex and another region launched a poultry farm. Food output was simultaneously increasing. In March, a new facility to manufacture meat products was launched on the basis of a major regional meat processing complex. The project was implemented with the use of preferential investment loans, among other things. The increase in food output was supported by expanding external demand. Several regions considerably ramped up supplies of milk and dairy products to the Middle East. This was in part due to the fact that, from early 2024, dairy exporters had been given subsidies of 100% on logistics costs (previously – 25%). Individual types of agricultural products were exported to some Asian countries which had not received supplies in 2023.

BANK OF RUSSIA SOUTHERN MAIN BRANCH



Growth in the macro-region's consumer activity slightly slowed down in April–May vs March. This was, in part, driven by the increase in household savings amid higher rates on bank deposits and better non-price parameters. Inflation edged down. The implementation of investment projects to launch new facilities and the expansion of export supported output in machine building. Despite the deteriorating weather conditions, agricultural companies remained optimistic about the harvest of the main crops. The cargo turnover in the South was down because of restrictions on the export of some goods and unfavourable price trends.

CONSUMPTION AND INCOMES. According to high-frequency data, consumer activity remained elevated in April–May as compared with annual averages, but slightly slowed down vs March. Consumer demand for electronic equipment became moderate. However, online advertising services reported higher demand for services to repair it. The macro-region's retailers followed a new trend for introducing fully automated stores. They believe that opening self check-outs is more beneficial than hiring sellers, which is especially relevant amid persistent staff shortages. In general, according to surveys of businesses, the availability of labour resources is at its lowest levels over the past three years. To overcome staff shortages, enterprises increased wages and cooperated with universities to employ young specialists. For example, a major agricultural holding company established target scholarship allowances to be paid to talented college and university students.

PRICES. The monthly price growth rate (seasonally adjusted) was down in the South in April, with annual inflation decelerating to 7.7%. Such dynamics were mostly due to a slower rise in prices for fruit and vegetables, the supply of which expanded owing to the development of local production and an increase in import supplies. Air carriers increased the number of flights, slowing down growth in prices for flights. However, companies' price expectations were up in May, most notably in agriculture.

MONETARY CONDITIONS AND BANKING SECTOR. Annualised growth rates of the corporate loan portfolio continued to decline as of early April but remained elevated relative to multi-year averages. Banks reported higher demand for long-term loans to implement investment projects. For example, the number of loan applications for such purposes submitted by agricultural companies was up. A major manufacturer of polymer additives from the Krasnodar Territory plans to raise borrowings to construct a production site. Growth in the consumer loan portfolio continued to accelerate, while lending in April hit record highs since 2014. Credit institutions do not expect the growth to speed up further owing to tighter macroprudential requirements, including for car loans. Banks reported higher demand for government subsidised lending fuelled by the upcoming termination of the Subsidised Mortgage programme and the cancellation of/reduction in fees for developers under subsidised programmes by major banks. The inflow of funds into banks accelerated, driven by good conditions. As assessed by credit institutions, rates on short-term deposits were up due to tougher competition between banks for client funds resulting from a

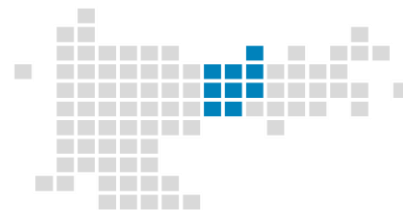
considerable extension of limits on fee-free transfers between accounts of the same person with different banks.

CROP PRODUCTION. The condition of winter crops in the South is good but slightly worse than in 2023. Although individual regions recorded lower water availability in March–April, plants were growing faster thanks to higher temperatures compared with the previous years. For example, the Krasnodar Territory expects the harvesting of winter crops to start earlier than usually during many years. In May, the north of the macro-region was exposed to frost, which resulted in a higher share of lost crops. Enterprises reported that the agronomical deadlines allowed them to replant crops on such plots and they had already started this work. Overall, spring crop areas account for more than 70% of the planned areas. The weather conditions had no material effect on the pace of the sowing campaign and the state of the spring crops. According to the enterprises in the Rostov Region and the Krasnodar Territory, the drop in temperatures did not affect the quality of vegetable crops. In addition, the macro-region improved its sugar beet harvest forecast. The gross yields of main crops are expected to be below the 2023 levels but above the multi-year averages.

CARGO TRANSPORTATION. The cargo traffic at the seaports in the Azov and Black Sea basin declined in April 2024 year-on-year. However, the seaports in the Caspian basin reported a surge in their cargo traffic. Both basins demonstrated similar trends in the traffic of a number of core commodity items. For example, the upgrade of the seaport infrastructure and higher demand boosted grain transshipment. A grain terminal in Novorossiysk set a record in Russia. In April, it processed over 1 million tons of grain, which was due to the comprehensive upgrade of the seaport. The shipment of coal and coke decreased following a decline in demand and global prices. The shipment of petroleum products was also down due to the ban on the export of petrol and diesel fuel which had been previously in force. The North Caucasus Railway also registered a drop in the cargo traffic amid contracting coal transshipment.

MACHINE BUILDING. In 2024 Q1, output growth in machine building accelerated. Agricultural and transport machine builders substantially ramped up output. For example, a major manufacturer of agricultural equipment in the South launched three new facilities (to manufacture trailers, tractors, and gear reduction units) and continues to invest in the expansion of its capacities. The Krasnodar Territory resumed the manufacture of rail cars after long downtime caused by the absence of orders, and the output of railcars in 2024 Q1 exceeded the values of the entire last year. The company plans to enter foreign markets and increase output several times. Southern shipbuilders reported full capacity utilisation. To expand their capacities, the shipbuilders raised finance from the regional development fund. However, staff shortages still contain the expansion.

BANK OF RUSSIA URAL MAIN BRANCH



In April–May, the rise in consumer activity slowed down in the Urals. The growth rates of consumer lending remained high in April with mortgage lending increasing moderately. After a decline in the previous months, output in metallurgy partially rebounded in March. The output of construction materials in the Urals edged down in March but remained close to record highs. Metal makers and manufacturers of construction materials launched new investment projects. Cargo traffic was up in both the railway and motor transportation segments.

CONSUMPTION AND INCOMES. In March–April, consumer activity slowed down. In particular, car sales edged down in April after a surge in March. However, according to a car dealer, demand remains elevated. According to preliminary estimates, May saw signs of a possible decline in household spending. Demand for staff remained close to the maximum levels and unemployment continued to hit record lows. Most participants in the Bank of Russia’s surveys still reported a shortage of both highly-qualified and low-skilled workers. As estimated by HeadHunter, the median amount of wages offered to candidates increased, exceeding the median level of expected wages for the second consecutive month.

PRICES. Annual inflation edged up in the Urals in April 2024, mainly backed by elevated demand for a wide range of goods, which allowed manufacturers and suppliers to pass through higher costs, including those on wages and logistics, to prices. The monthly price growth rate (seasonally adjusted) also increased. In May, businesses’ short-term price expectations remained close to the April level (seasonally adjusted). Expectations were up in trade and industrial production and down in construction, transport, agriculture, and services.

MONETARY CONDITIONS AND BANKING SECTOR. In April–May, loan rates mostly remained at the level of the previous months, according to the banks surveyed. However, a major federal bank raised rates on new credit cards and car loans in April. Household demand for loans remained strong. Mortgage lending expanded at a moderate pace. The inflow of household funds into both current accounts and time deposits with banks remained high. In the corporate segment, lending to SMEs accelerated, mainly driven by working capital loans.

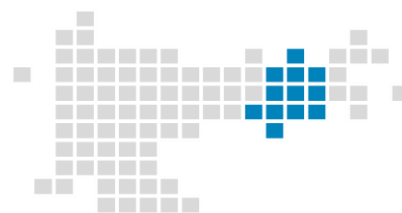
METALLURGY. The output of metal products (seasonally adjusted) partially rebounded in March after a decline in early 2024 but stayed below the values of 2023 H1. Current demand estimates of metal makers remained at a lower level. A decrease in demand from the oil and gas sector made a major metallurgical company in the Urals reduce the output of pipeline products. In 2024 Q1, a large metallurgical enterprise in the Chelyabinsk Region reported a drop in output in annualised terms owing to repairs. According to industry experts, demand from the construction sector was below seasonal values. This in particular substantially pushed down prices for and decreased the amount of metal scrap purchased in May. However, Ural manufacturers expect demand for individual types of rolled metal to go up, since carmakers plan to ramp up the output of cars in Russia. Although demand edged down, Ural metal makers invested in the upgrade of the existing and the launch of

new facilities. The Perm Territory and the Republic of Bashkortostan started the construction of plants to manufacture metal structures. Difficulties with the export of non-ferrous metals persist. For example, an Orenburg-based producer of copper decided to terminate the development of copper and nickel fields in the Voronezh region, since this was economically unreasonable. Staff shortages continue to considerably limit growth in the sector. Therefore, metallurgical companies not only increase wages, but also expand social support programmes for employees. For example, a company from the Orenburg Region develops a social support programme for its employees worth ₹1 billion.

CONSTRUCTION MATERIALS. In March, the output of construction materials in the Urals edged down vs January–February but remained far above the values of 2023 (seasonally adjusted). The increase in individual housing construction supported demand for construction materials. For example, a Tyumen-based developer reported that unlike the previous years, there was no surplus of products at the warehouses of the manufacturers of construction materials even in winter owing to high demand. Demand from industrial production companies remained stable as well. In particular, a manufacturer of fire-proof products from the Sverdlovsk Region reported full utilisation of production capacities and expected it to remain the same. In such conditions, Ural companies actively invested in both the upgrade of the existing and the launch of new facilities. For example, a Tyumen-based manufacturer of ceramic construction materials will continue to ramp up output this year. In 2024, the Perm Territory and the Kurgan Region announced plans to launch the manufacture of polymer pipes and damp course, respectively. In April, the Republic of Bashkortostan announced that it intended to establish a plant to manufacture prefabricated housing modules. The Tyumen Region already started to build a plant to manufacture such products this spring.

TRANSPORT AND CARGO TRANSPORTATION. In March–April 2024, the railway cargo traffic in the Ural regions was up. In particular, the transportation of industrial raw materials (for instance, ore and coal), chemical fertilisers, chemicals, and timber cargoes increased year-on-year. However, the insufficient throughput capacity of railway routes and border crossings continued to prevent carriers from increasing cargo traffic. To solve this issue, the Orenburg Region in particular upgrades the key road and railway border crossings. Moreover, carriers started using longer and heavier cargo trains to make supplies more efficient. A transport and logistics hub in the Chelyabinsk Region is actively involved in exporting cargoes by container trains to a number of Asian and Middle East countries. Container transportation was up in Bashkortostan. However, transport companies increasingly complain that some Ural logistics hubs suffer from the excessive number of containers. As the capacity of railways is limited, road transportation develops at an accelerated pace. The relevant cargo traffic increased almost in all Ural regions in 2024 Q1.

BANK OF RUSSIA SIBERIAN MAIN BRANCH



In April–May 2024, consumer activity in Siberia remained at the high level of 2024 Q1 across all segments of the consumer market. Growth in the output of petroleum products was driven by the upgrade of production capacities and better refinery yield, a performance indicator of oil refineries. Pulp and paper enterprises ramped up supplies to the domestic market. To meet growing needs of the economy, energy companies increased the output of electricity.

CONSUMPTION AND INCOMES. In April–May 2024, consumer activity of the Siberian households remained at the elevated level of the previous three months. Warm weather during the May holidays boosted tourist flow to the Republic of Altai, the Republic of Khakassia, and Lake Baikal. As a result, the average occupancy rate of accommodation facilities in the Republic of Altai reached 90% vs 80% a year ago. The growing tourist flow encouraged the launch of new flights across Siberia, for example, from Omsk to Gorno-Altaysk. Catering enterprises reported an increase in the number of visitors, including domestic tourists. Health clinics in Kuzbass and the Trans-Baikal Territory recorded high demand for their services (appointments were made for three weeks ahead) as the specialists were working at full capacity. Owing to elevated demand for construction materials from households, retail chains opened new stores to sell construction materials and home improvement goods.

PRICES. In April, monthly inflation (seasonally adjusted) accelerated in Siberia. Prices for beef and beef products were up, driven by lower supply. Livestock farms reduced the cattle population owing to higher costs on it. Regional suppliers of construction and finishing materials raised prices. This was due to elevated demand for products from both households (home renovations) and companies (construction of production facilities) as well as higher wage and logistics costs. Growing demand for products/services boosted businesses' price expectations for the next three months.

MONETARY CONDITIONS AND BANKING SECTOR. As assessed by banks, in April–May 2024, credit and deposit conditions in Siberia corresponded to the level of the previous three months. The number of outstanding corporate loans increased mainly due to stronger demand from SMEs. Lending activity in the consumer segment remained high. Banks report greater demand for car loans and credit cards. Growth in the new loans issued under government subsidised programmes boosted mortgage lending. Banks expect demand for mortgage loans to remain high until the large-scale subsidised mortgage lending programme is terminated in July. Growing household spending and persistently high deposit rates supported the inflow of household funds into deposits.

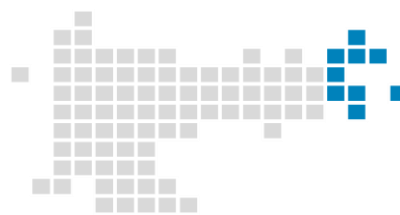
OIL REFINING. In January–March 2024, the output of petroleum products in Siberia gained 6.4% year-on-year after a decline by 3.1% year-on-year in 2023 Q4. Since some oil refineries in the European part of Russia undergo unscheduled repairs, Siberian oil refineries, among others, supply fuel to the domestic market. Moreover, the increase in the output of petroleum products in Siberia resulted from a large-scale upgrade of production facilities. For example, a major Siberian oil refinery reported that its refinery yield reached almost 100% following the launch of a new facility. This is one of the best indicators not only across Russia (the national average equals 84%), but also worldwide.

As a result, the company was able to ramp up the manufacture of diesel fuel, motor petrol, and jet fuel by 27%, 15%, and 7%, respectively, from the same amount of oil as was used previously. Other major Siberian oil refineries reported that their refinery yields would exceed 90–95% after the completion of new facilities. This would enable them to ramp up the output of environmentally friendly types of fuel and expand their range.

MANUFACTURE OF PAPER AND PAPER PRODUCTS. In January–March 2024, the manufacture of pulp and paper in Siberia gained 16% year-on-year. The increase in output was fuelled by growing domestic demand and a rebound in the export of individual items. For example, a major Siberian manufacturer of corrugated packaging reported high domestic demand for pulp and paper products. The company operates three shifts a day. It utilises almost 90% of its production capacities, whereas the optimal capacity utilisation rate is 75%–80% (taking into account maintenance shutdown). Consequently, in the near future, the manufacturer plans to install a new production line purchased in Asia. A fully integrated Siberian company (performing the entire range of processes from waste paper collection to the production of corrugated packaging) reported that higher demand and the launch of new production lines had allowed it to notably expand output and the range of its products. A major pulp and cardboard manufacturer increased the export of kraftliner (premium cardboard) to Asia after it had completed investment projects. However, the company expects that output and export will largely increase after the new pulp and cardboard plant reaches its design capacity (by late 2024). According to Siberian businesses, the sector's issues with raw materials, spare parts, and equipment have generally been settled. To maintain the operability of western equipment, the enterprises have implemented alternative schemes of supplies of consumables and components. New equipment is purchased in Asia. Currently, the main issue the Siberian manufacturers of pulp and paper face is staff shortages. Therefore, most companies believe that further automation of technological processes is one of the key areas of their development.

POWER INDUSTRY. In January–March 2024, the output of power by Siberian power stations was up by 7.7% year-on-year after a 1.5% increase year-on-year in 2023 Q4. A Siberian energy holding company believes that growth in the output and consumption of electricity is associated with the implementation of major investment projects by metallurgical companies, the construction of the Eastern polygon of the Russian Railways, the development of foreign trade relations with Asian countries, and the consequent expansion of export as well as higher capacity utilisation rates of manufacturing enterprises. Moreover, growth in energy consumption stems from active housing construction. To meet the steadily growing needs of the Siberian economy, power companies upgrade the existing and build new generating facilities. For example, the first stage of the upgrade of a major Siberian hydro power plant was completed in March 2024. From early 2024, Siberian energy companies have commissioned several substations and electric power transmission lines and replaced equipment at a number of operating thermal power stations. As a result, in 2024 Q1, major industrial enterprises and infrastructures (a pipeline, gold ore and gas condensate fields) were connected to electrical grids in the Irkutsk Region alone.

BANK OF RUSSIA FAR EASTERN MAIN BRANCH



Consumer activity in the macro-region trended upwards in April–May. Companies' price expectations were up. Staff shortages became more acute. Stronger domestic demand and expansion into external sales markets pushed up output at wood enterprises. Boosted by the increase in railway transportation of coal and oil, the cargo traffic at the seaports rose while the transshipment of containers declined.

CONSUMPTION AND INCOMES. According to high-frequency data, consumer activity in the macro-region was up in April–May vs 2024 Q1, backed by the consumption of food and services. For example, representatives of a convenience store chain and a major sausage manufacturer in the Primorye Territory reported rising demand for their products in April 2024 as compared with March and April 2023. However, a representative of a food wholesale and retail store reported contraction of its product range in April vs March owing to logistics problems. Consumer activity in the non-food segment remained elevated. A major seller of household appliances and electronics recorded continuing high demand in April. A company selling construction materials reported that demand in April exceeded the values of the previous year. Demand for tourism services continued to grow in individual regions. During the May holidays, the tourist flow to Asian countries increased by more than a quarter as compared with the previous year. Travel agencies reported that households booked both domestic and foreign trips for summer holidays earlier than usual. Short-term expectations of retailers concerning demand were up in May, while those of service providers edged down.

PRICES. Monthly price growth (seasonally adjusted) sped up in April. The key reason was that several major mobile operators raised their tariffs across the country. Prices for food were rising faster, most notably for sugar, owing to an increase in logistics costs, among other reasons. Growth in prices for milk and dairy products sped up, driven by companies' higher costs on logistics, wages, and packaging. Growth in prices for non-food products slowed down. This was mostly due to a deceleration of the increase in prices for foreign cars after their appreciable rise in March. According to weekly data, overall price growth decelerated in the first half of May. Companies' price expectations went up in May. As compared with April, a larger percentage of companies reported rising utility tariffs, fuel prices, and demand as the reasons for the above. The expectations of construction, transportation and storage companies as well as wholesalers and retailers soared the most.

MONETARY CONDITIONS AND BANKING SECTOR. In March, the monthly growth rate of the corporate loan portfolio (seasonally adjusted) edged down but remained above the average values of 2023. The main positive contribution was made by loans to mining and quarrying enterprises in Yakutia and on Sakhalin as well as large loans issued as part of the construction of gas processing facilities in the Amur Region. According to high-frequency data from credit institutions, in April–May, growth in the corporate portfolio was still mainly boosted by loans issued for the implementation of major investment projects that started earlier. In the SME segment, several regions recorded rising demand for short-term working capital and inventory loans due to longer delivery times for supplies

of raw materials and components from the western regions. Growth in consumer lending in April (seasonally adjusted) remained at the level of March. Car lending remained high, since banks expanded the conditions of partnership programmes with dealers. New market-based mortgage loans were down while growth in lending under subsidised mortgage programmes accelerated. The inflow of household funds into bank accounts (seasonally adjusted) slowed down in April, since the amount of funds in the current accounts decreased. Growth in time deposits remained high.

LABOUR MARKET. In March, unemployment in the macro-region (seasonally adjusted) hit a new record low of 2.6%. According to the survey of businesses, three-fourths of companies reported staff shortages in late April. Individual mining, construction, and fishing enterprises raised wages before the start of the high season, which boosted the outflow of personnel from other sectors. For example, in April–March, a major Sakhalin-based supermarket chain reported an outflow of low- and semi-skilled workers to the fishing sector. Owing to staff shortages, individual agricultural enterprises on Sakhalin noted risks that the standard sowing times might be missed. A catering company in the Jewish Autonomous Region pointed out that it might close. To resolve the issue of staff shortages, a leading agricultural enterprise in the Amur Region concluded contracts for employer-sponsored education and provided internship for students to subsequently hire them. In the Khabarovsk Territory, in April, a major shipbuilder started to partially compensate employees for meal expenses while a leading metal maker – for the costs of travel to vacation venues.

LOGISTICS. In April, the cargo traffic at the Far Eastern seaports gained 9% vs March to hit record highs since August 2023 thanks to the increase in coal transshipment. Owing to the issues with the railway transportation of containers from the western regions to the Far East, sea transportation (primarily the export transportation) of container cargoes declined. In addition to coal, petroleum products were prioritised in early April for the rail transportation to the East, which made the railway infrastructure less available for the transportation of containers. According to transportation companies, quotas for container trains decreased by more than a quarter in April–May vs early 2024. To boost supplies of food and socially important cargoes to the Far East, the priority of such cargoes was raised in late April. To expand cargo traffic through the Pacific Ocean seaports, the Khabarovsk Territory opened a new rail yard at the largest classification yard.

LOGGING AND WOOD PROCESSING. In 2024 Q1, the forestry industry of the macro-region saw continuing growth in both logging and the output of wood products owing to the expansion into external sales markets and greater domestic demand. For example, a major wood processing enterprise of the Primorye Territory started supplying products to another Eastern Asian country. A logging company in the Khabarovsk Territory concluded a large contract with a federal customer for the supply of roundwood timber for the construction of a temporary road as part of the implementation of a gas project. In Yakutia, higher demand from households for the construction of individual housing pushed up logging and wood processing to record highs. However, some enterprises experienced a decline in output as compared with the previous year owing to the lack of rolling stock and staff shortages, as workers were leaving current jobs to join coal mining enterprises and the Baikal-Amur Mainline modernisation project.

BOX 1

MONETARY CONDITIONS AND CREDIT AND DEPOSIT MARKETS

In 2024 Q1, monetary policy decisions made in 2023 H2 continued to impact the market rates on credits and deposits for households and businesses. High deposit rates boosted household savings. Despite tight price conditions, consumer lending was expanding steadily, mostly driven by car lending and credit cards. Mortgage loans were growing moderately. This was mostly due to the constraining effect of changes in the conditions of government subsidised programmes and high rates on market-based loans. Corporate lending was growing fast, in part fuelled by government support measures.

HOUSEHOLD FUNDS WITH BANKS

The cycle of the key rate increases that started from the middle of 2023 made savings considerably more attractive to households. By the end of 2024 Q1, rates on ruble deposits substantially exceeded the levels of summer 2023 (Chart B-1-1), namely 14.4% per annum in March 2024 vs 5.6% per annum in June 2023. The rates on deposits with maturities from one to six months soared most notably. The transmission of monetary policy decisions to deposit rates was largely complete by early February. For example, the maximum deposit rate of ten credit institutions raising the greatest amount of household deposits had been almost the same since January. Growth in actual deposit rates significantly decelerated in February–March. However, the dynamics of the rates on household ruble deposits was fairly homogeneous across macro-regions with the variance of one percentage point as of March.

Rising deposit rates boosted household savings. In 2024 Q1, balances of household funds with banks (excluding funds in escrow accounts) were growing at the highest rate over the past few years. However, from the middle of 2023, households started to transfer funds from current accounts and long-term deposits to deposits for up to one year, as short-term deposits were becoming increasingly more attractive. Moreover, households' higher incomes supported the propensity to save.

The proportion of foreign currency in household deposits continued to decrease: the share of funds in rubles was up. Contrastingly, the Chinese yuan was gaining popularity and the proportion of deposits in yuan increased.

CONSUMER LENDING

The tightening of monetary policy had been affecting consumer lending since 2023 H2. In 2024 Q1, consumer loan rates, which soared following the surge in the key rate, reached the maximum levels since 2016 but stayed below the 2015 values. According to the banks surveyed, non-price conditions also tightened.

Despite tight price and non-price conditions, in January–March, consumer lending grew faster than usually in this period. As a result, annual growth in outstanding consumer loans had accelerated by early April (Chart B-1-2). These loans increased most notably in the South and Volga-Vyatka and least notably in the Far East and the North–West.

Mainly growing incomes encouraged households to consume more using borrowed funds, among other things. Better creditworthiness of retail borrowers in turn prompted banks to expand lending.

Households' demand for loans was supported by elevated inflation expectations and the release of pent-up demand. In the South and in Siberia, loans for home repairs and improvement were very popular, since households demonstrated higher activity in the real estate market.

In 2024 Q1, **car loans played a greater role** in the dynamics of consumer lending. Although car loan rates surged in January and remained high in February–March, this spring the issue of these loans and their share in overall consumer lending reached maximum levels over the past few years. As compared with 2023 Q1, the number of new car loans more than doubled. As households expected prices for foreign cars to grow from April owing to changes in the recycling fee calculation and payment procedure, demand for cars was strong. It was also fuelled by car dealers' discounts and special offers as well as the extension of the government subsidised car lending programme. In the Far East, the expansion of the car loan market was driven by a rebound in the import of Japanese cars that reached its pre-sanction values in March. According to a major federal bank, some southern regions saw an increase in the share of loans to purchase pre-owned cars. Banks in Volga-Vyatka and the North-West reported that car lending programmes whereby cars may be pledged as collateral later became more popular. Car sales and new car loans edged down across Russia in April vs March but remained high.

According to banks, 2024 Q1 saw **high demand for credit cards from households** in all macro-regions. Cardholders actively used the extended grace period (of up to one year) when interest does not accrue.

According to the credit institutions surveyed in 2024 Q1, banks did not expect growth in demand for consumer loans to reach seasonal averages in 2024 Q2. The Bank of Russia's macroprudential measures will continue to have a constraining effect on the market. Effective from 1 July 2024, the Bank of Russia raises risk-weight add-ons for unsecured consumer loans and sets add-ons for car loans. The regulator has also set stricter macroprudential limits on unsecured consumer loans for 2024 Q3. The measures aim to limit individuals' debt burden, build up the macroprudential capital buffer, and enhance banks' resilience to increases in consumer loan losses.

MORTGAGE LENDING

The mortgage market was less affected by the tightening of monetary policy than other segments of the retail credit market. The reason is that mortgage lending largely depends on government subsidised mortgage programmes, the conditions of which are not sensitive to changes in the key rate. However, **mortgage lending expanded moderately in 2024 Q1**. The monthly increase in the mortgage loan portfolio was in line with the averages of the previous years in January and dropped below them in February–March. As a result, annual mortgage growth slowed down (Chart B-1-2).

The decline in demand for market-based loans was mainly associated with high rates. According to banks, non-price mortgage loan conditions also continued to tighten in 2024 Q1. The mortgage market was in part constrained by the Bank of Russia's macroprudential policy: the regulator raised risk-weight add-ons for mortgage loans on 1 October 2023 and 1 March 2024. These measures were taken to limit the risks of borrowers and banks.

Demand for government subsidised programmes was moderated by changes in their conditions. First of all, the minimum down payment under the non-targeted subsidised mortgage lending programme was raised from 20% to 30%. In the metropolitan areas (Moscow and the Moscow Region, St Petersburg and the Leningrad Region), demand was notably impacted by a decrease in the maximum loan amount from ₺12 million to ₺6 million. As new housing became less affordable, developers offered discount programmes and instalment plans. For example, a developer

from St Petersburg recorded an increase in the share of instalment plans in total transactions in January–February 2024 vs November–December 2023. According to a major real estate company, in the Moscow Region, the proportion of transactions involving instalment plans was also higher in January 2024 than in December 2023.

Subsidised loans (non-targeted subsidised mortgage loans for new housing, the Family Mortgage, IT Mortgage, and Far Eastern and Arctic Mortgage programmes) accounted for around 70% of new mortgage loans in 2024 Q1. The Family Mortgage made up the majority (over 50%) of total subsidised mortgage loans issued across Russia. The non-targeted mortgage for new housing was less popular (around 30%) and the other programmes accounted for the smallest shares owing to their nature (Chart B-1-3). However, the Far Eastern and Arctic Mortgage programme accounted for a substantial and sometimes even the prevailing share in the regions where it was implemented. In the Primorye Territory and the Khabarovsk Region, regional developers recorded an increase in the buyer demand for large flats owing to the expansion of the loan limit for such flats from ₸6 million to ₸9 million under the Far Eastern Mortgage programme. According to federal banks in the Khabarovsk Region, loan applications worth up to ₸9 million accounted for 25–30% of new loans issued under the programme in March. Many constituent territories also offer **regional government subsidised mortgage programmes** to individual types of borrowers (young and large families, public sector employees, etc.) which have no substantial effect on the mortgage market.

In early 2024, some banks introduced fees for developers, since subsidies granted to banks under government programmes were decreased. This had a limited effect on demand for mortgage loans and mainly resulted in households switching to banks that did not introduce any fees. In March–April, banks cancelled or substantially cut the fees they had introduced earlier thus restoring their share in the market.

According to the banks surveyed at the end of 2024 Q1, demand for mortgage loans will be growing moderately in 2024 Q2 and Q3. In 2024 Q2, it will be supported by the expected rise in borrowers' activity before the termination of the large-scale government subsidised mortgage programme for new housing.

CORPORATE LENDING

The Bank of Russia continued to **tighten price conditions** in the corporate lending segment in 2024 Q1. Corporate loan rates were close to the local highs of March 2022 and the rates on loans to SMEs exceeded these values (Chart B-1-4). Non-price conditions remained almost unchanged, however, were impacted by industry specifics. For example, when assessing the borrowers from the housing construction sector, some banks took into account the changes in the conditions of the non-targeted subsidised mortgage programme and a possible decline in sales.

The corporate loan portfolio continued to expand fast, especially in the SME segment, but was decelerating (Chart B-1-5). Over 2024 Q1, SME lending increased most notably in the South. Substantial growth was associated with high demand for loans from real estate, retail, and agricultural enterprises in the Krasnodar and Stavropol Territories and the Rostov Region as well as with the expansion of the construction companies' loan portfolios in the Volgograd Region.

Some banks in Central Russia, the North-West, and the Urals reported that owing to high rates companies more often regarded market-based loans as the last resort to finance their current operations (working capital, repair equipment loans, etc.). Banks in the Tver Region reported that the need for additional financing, driven by payment delays, was one of the reasons why demand for loans remained elevated. According to a federal bank branch, complicated logistics forces SMEs

in some Far Eastern regions to raise additional borrowings to increase one-off purchases and inventories.

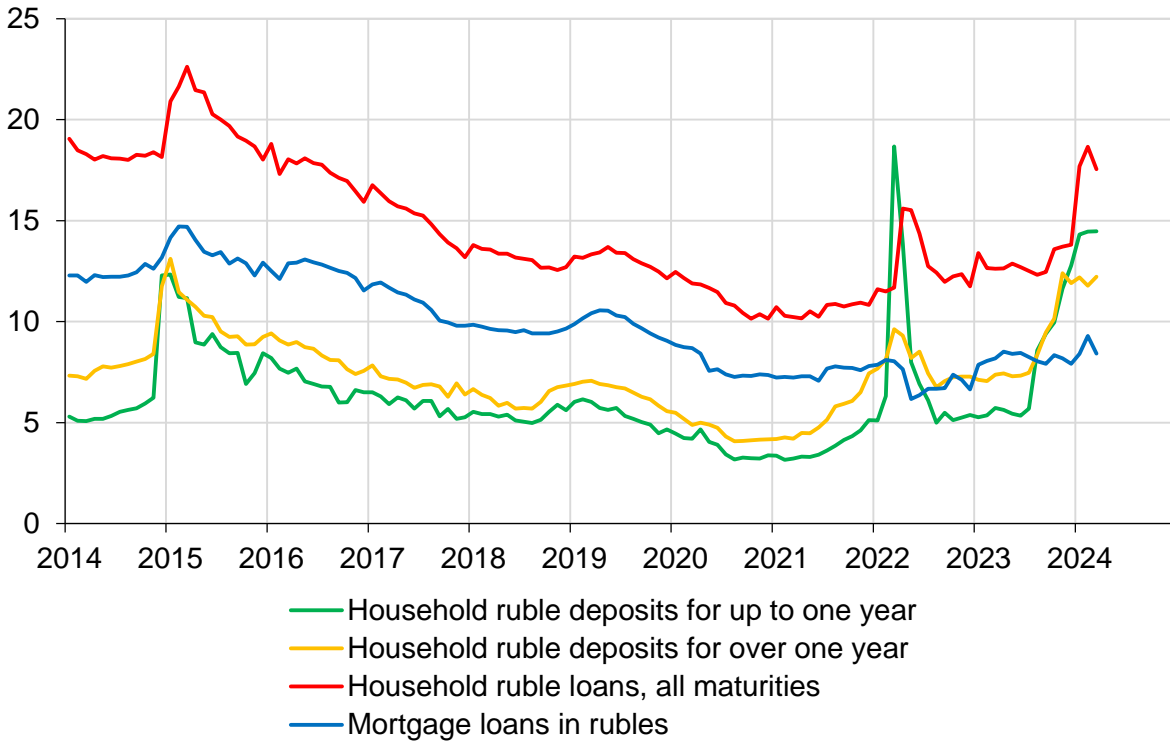
To finance investment projects, businesses were seeking to either raise capital under subsidised programmes or use their own funds. For example, banks in the Volgograd Region reported that businesses, especially SMEs, abandoned their planned investment projects due to the high cost of debt financing. According to a federal bank branch in the Ulyanovsk Region, investment loans were most popular among those companies that had already started their investment projects where the suspension costs would exceed the loan expenses.

Demand for loans from businesses was backed by **government subsidised lending programmes**. Programmes for SMEs and agricultural companies as well as industrial mortgage loans became the most popular facilities. However, banks and enterprises complained that the loan limits under the government subsidised programmes were insufficient. Regional support measures stimulated SME lending (over 300 programmes are in effect across Russia). For example, a more rapid rise in outstanding SME loans in the Central Federal District was mainly fuelled by fast growth in the corporate loan portfolio in the Moscow Region providing a broad range of regional support measures.

The currency composition of the portfolio changed insignificantly across Russia as compared with early 2024, with the most notable changes registered in the Far East and in Siberia. Some banks in the Far East recorded higher business appetite for loans in Chinese yuan. In Siberia, lending in yuan increased mainly on account of exporters receiving revenues in this currency. In the Urals, loans in foreign currency were often taken out by major oil producers and refineries as well as by non-ferrous metal makers.

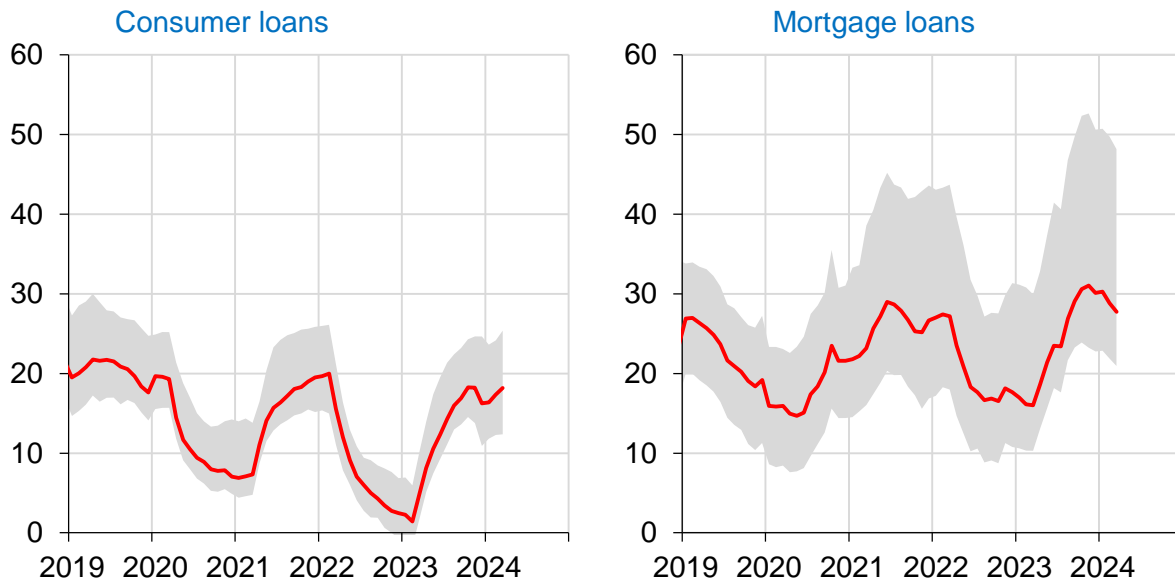
According to the Bank of Russia's monitoring, 34% of the surveyed enterprises applied for loans in May 2024. According to their estimates, lending conditions tightened but less significantly than in April. According to the banks surveyed in 2024 Q1, business demand for loans will be growing in most regions over 2024 Q2–Q3, though more slowly than usual.

Chart B-1-1. Interest rates, monthly average, % p.a.



Source: Bank of Russia.

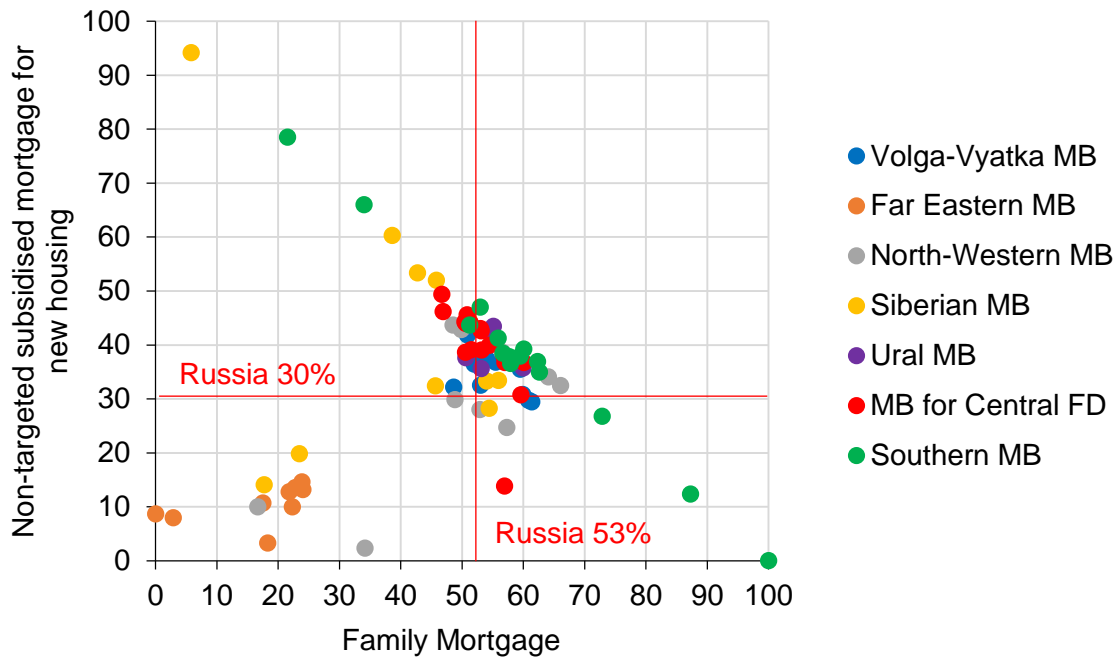
Chart B-1-2. Retail lending in regions, growth rates YoY, AFCR, %



* The red line denotes values across Russia and the grey band – the range of values across regions (excluding 5% of the lowest and highest values).

Source: Bank of Russia.

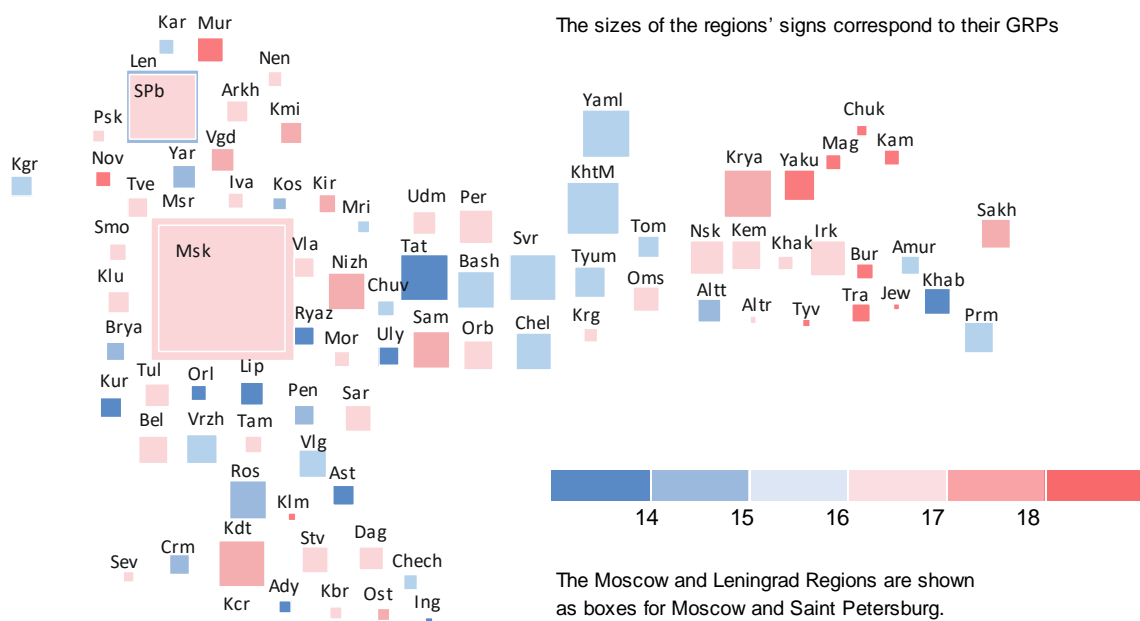
Chart B-1-3. Shares of Family Mortgage and non-targeted subsidised mortgage for new housing in total new subsidised mortgage loans in regions over 2024 Q1, %



* Total new subsidised mortgage loans also include the IT Mortgage and the Far Eastern and Arctic Mortgage facilities. The red lines denotes values across Russia in general.

Sources: DOM.RF, Bank of Russia calculations.

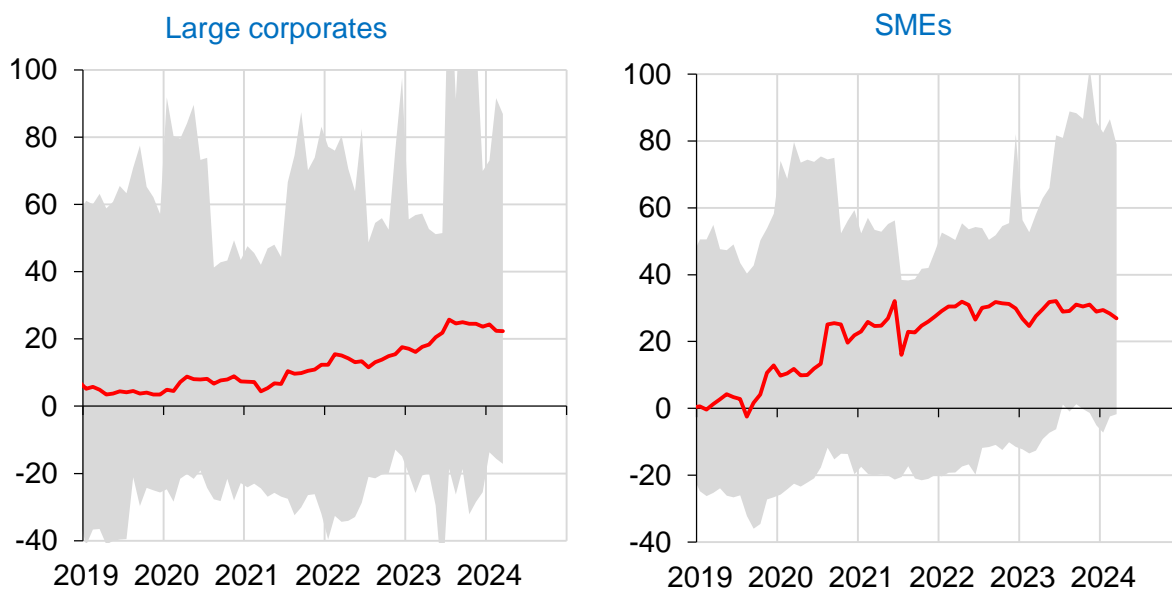
Chart B-1-4. SME loan rates in regions over March 2024, all maturities, % p.a.



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

Source: Bank of Russia.

Chart B-1-5. Corporate lending in regions, growth rates YoY, AFQR, %



* The red line denotes values across Russia and the grey band – the range of values across regions (excluding 5% of the lowest and highest values).

Source: Bank of Russia.

BOX 2

TOURISM AND PASSENGER TRANSPORTATION MARKET

In 2023–early 2024, domestic tourism continued to grow and the international tourism continued to rebound. Rising demand for domestic tourism sped up the development of the tourism and transport infrastructure. However, its current capacities are still insufficient to meet demand in full, which is evidenced by accelerated price growth. Owing to limited supply in the traditionally popular tourist regions, new domestic destinations emerge and passenger transportation develops.

FOREIGN TOURISM

Outbound tourism expanded in 2023 vs 2022. However, the number of trips was substantially below the pre-pandemic level (Chart B-2-1). Abkhazia, Turkey, the UAE, Kazakhstan, and Egypt remain the most popular foreign destinations, while Thailand, Cuba, Sri Lanka, and China are rapidly gaining popularity. Growth in foreign travel of Russian people is fuelled by the opening of new destinations in Asia and extended offers of sightseeing tours and beach vacations in friendly states, including CIS countries. A faster rebound of foreign tourism is hampered by surging prices for trips, a limited number of available destinations, and a tougher procedure for obtaining visas (predominantly to European countries) as well as difficulties with payments.

Inbound tourism is recovering even more slowly: despite a surge in the number of tourists from Asia in 2023, the overall number of inbound trips is 66% below the pre-pandemic level. The increase in the number of foreign tourists is driven by the existing intergovernmental agreements on the visa-free group exchange with a number of countries, the implementation of the electronic visa system, good prices, international event tourism, and the promotion of domestic tourist destinations on global platforms. Improved air links with Asia and the introduction of the Tourist Card system, making it easier for tourists to make payments in Russia, should support the further expansion of the tourist traffic.

DOMESTIC TOURISM

According to high-frequency data, domestic tourism expanded by 16.7% year-on-year in 2023. Both the traditional destinations of Central Russia, the North-West and the South, and comparatively new destinations (specifically, the Republics of Dagestan, Karelia, Altai, and the Khabarovsk Region) saw an increase in the tourist traffic (Chart B-2-2). There was an appreciable rise in the quantities of tourism services provided (Chart B-2-3). However, amid surging prices for trips abroad and to popular Russian resorts, tourists increasingly prefer the routes they have never taken before. This encourages the development of less popular destinations, for example, in Central Russia. This in turn makes the limited supply in the most visited regions less pronounced.

Demand for domestic tourism remains elevated. It is supported by the rise in household incomes and high prices for and the limited availability of foreign travel. Consumers still tend to prefer cost-effective holidays owing to a surge in the relevant prices, specifically in Russian southern regions that are popular among tourists. Many surveyed representatives of the tourism sector reported a larger share of independent tourism (without the engagement of tour operators), a shorter average duration of a tour, and a longer period between the booking date and the arrival date. Simultaneously, weekend tourism is gaining momentum: this applies to both trips inside a region

and across the neighbouring regions. For example, the Penza Region sees stronger demand for one-day sightseeing tours to historic sites that are popular mainly among residents of the neighbouring regions.

Travelers from all over Russia have become increasingly interested in outdoor recreation, which fuels the development of eco and rural tourism as well as agritourism. Other popular types of tourism include food, cultural, wellness, and industrial tourism (specifically in Volga-Vyatka, Siberia, the Urals, and the Far East). Glampings are becoming an increasingly popular accommodation option.⁴ For example, in the Khabarovsk Territory, the number of tourists that selected this accommodation option rose by 71% during the New Year holidays as compared with the previous year.

Domestic tourism is fuelled by the active development of event tourism. Events of different levels are held all over Russia. They allow tourists to get acquainted with the local culture and encourage growth in tourist traffic to the regions. Local festivals are gaining popularity, such as the Teriberka Arctic Festival and the Imandra Viking Fest in the Murmansk Region; the Ural Music Night in Yekaterinburg; the Chike-Taman Spring in the Republic of Altai; and the Heart of Eurasia International Art Festival in Bashkortostan. Business travel also makes a considerable contribution. Tatarstan expects tourist activity to increase in 2024 owing to the BRICS summit, among other reasons.

As demand for domestic tourism rises, **Russian travel agents change the scope and structure of supply**. Regions are creating new routes to popular tourist destinations. In addition, tourist clusters, including those intended for sports holidays, are expanding. The Murmansk Region is developing a ski resort with the related infrastructure as part of such a cluster. Ski resorts are also established in Siberia, Central Russia, and in the South.

All macro-regions recorded a surge in investment in the construction of modular hotels⁵ and glampings, in part backed by support programmes within the national project Tourism and Hospitality Industry. For example, the Far East intends to offer 1,200 rooms at modular hotels in 2024. Thus, this type of accommodation alone will ensure an almost 1% yearly increase in the total number of rooms at the region's collective accommodations. Nevertheless, despite the rise in the number of collective accommodations brought into use (+6.6% YoY in 2023 across Russia), many regions still have insufficient tourist facilities, specifically in the segment of luxury hotels. Thus, small towns in Central Russia have a limited number of luxury hotels, and therefore, prices for them grow faster than those for lower-level hotels.

PASSENGER TRANSPORTATION MARKET

The expansion of domestic tourism encourages the development of the related passenger transportation market. According to high-frequency data, passenger transportation was up (+6.2% year-on-year) in 2023 across all types of transport widely used for tourism purposes (Chart B-2-4).

Air transport. In early 2024, scheduled passenger air transportation rebounded to the level of 2021 Q4 (Chart B-2-5). The rise in passenger transportation is driven by the expansion of the route network both outside and inside the country. For example, a number of airports in the South increased the number of flights to the most popular domestic destinations and launched flights to

⁴ A type of camping uniting the comfort of a hotel room and the features of outdoor recreation.

⁵ Prefabricated accommodation facilities from modular units produced at a plant.

Thailand and Armenia. Some Ural regions launched direct flights to Sri Lanka, restored flights to Georgia and Vietnam, and increased the number of routes to Turkey, Uzbekistan, and China.

Moreover, all macro-regions continue to upgrade airports to expand their capacity. For example, Kurgan and Ufa completed the reconstruction of their airports in 2023. In the same year, Yuzhno-Sakhalinsk opened the largest passenger terminal in the Far East with a capacity exceeding that of the previous terminal five times. The Arkhangelsk airport completed the reconstruction of the runway in 2023 and opened a new passenger terminal in 2024. The intensity of flights is additionally supported by government subsidies for tickets, in particular for interregional routes bypassing Moscow: such flights accounted for 53% at the end of 2023 (+3 pp year-on-year).

Rail transportation. Since some airports in the South and in Central Russia are closed, the role of rail transportation increased substantially, including in terms of tourism, which specifically impacted transportation by long-distance trains (Chart B-2-6). As a result, in 2023–early 2024, the European part of Russia experienced difficulties with purchasing tickets to southern destinations: according to Ural tour operators, train tickets were often sold out in full right on the day when the sales started. To mitigate the issue, rail carriers plan to increase the number of double-decker trains and routes to southern destinations in 2024.

However, railway tourism develops in all macro-regions. For example, the Volgograd Region offers rail cruises as part of the project Memorable Weekend in the Volga Region, Central Russia has launched the project The Golden Ring of Russia, and the Murmansk Region – the tourist train To the Northern Lights. Also, travellers use rail transport for short-distance trips often as part of weekend tours.

Water transport. Rising domestic tourism also encourages the development of water passenger transport. The European part of Russia, in particular the Volga Federal District, actively enhances river navigation. In May 2024, Tatarstan started to offer scheduled passenger trips on the Meteor vessels to the centres of the neighbouring regions. Further development of water transportation in Volga-Vyatka will be encouraged by the participation of some regions in the River Highway project to arrange high-speed passenger transportation on the Volga River.

Simultaneously, demand for cruise tours is growing. In 2024, Siberia plans to launch cruise routes from Novosibirsk and the North-West intends to launch a cruise from St Petersburg to Veliky Novgorod. The improvement of the water transport infrastructure is an important driver of passenger traffic along with the opening of new destinations. In the Tver Region, a new river port and terminal included in the tourist and recreational cluster Volga Sea started to accept vessels in 2024.

Motor transport. The role of motor transportation is becoming more important as independent travel and weekend trips are becoming more popular. The North-West, Volga-Vyatka, and Siberia are expanding the offer of bus sightseeing tours. However, travel agents reported that the shortage of sightseeing buses together with the heavy wear and tear of the current fleet substantially constrained growth in the supply of such products. In particular, the shortage of large modern buses is a factor hampering the development of group tours in the Tomsk Region. In addition, the construction of new and the upgrade of the existing motor highways fuel the development of domestic tourism, especially in the regions of Central Russia. For example, a part of the Federal Motorway M-12 Vostok from Moscow to Kazan was launched in December 2023. This helped reduce travel time from 12 to 6.5 hours, which would positively impact passenger transportation, among other things.

PRICES FOR TOURISM AND RELATED SERVICES

Despite the development of the tourism and transport infrastructure in 2022–2024, its current capacities are still insufficient to meet domestic demand, which affects prices. In April, the increase in prices for tourism services amounted to 12.6% year-on-year remaining notably above headline inflation (7.8%). The same holds for price growth, cumulative since late 2021 (Chart B-2-7).

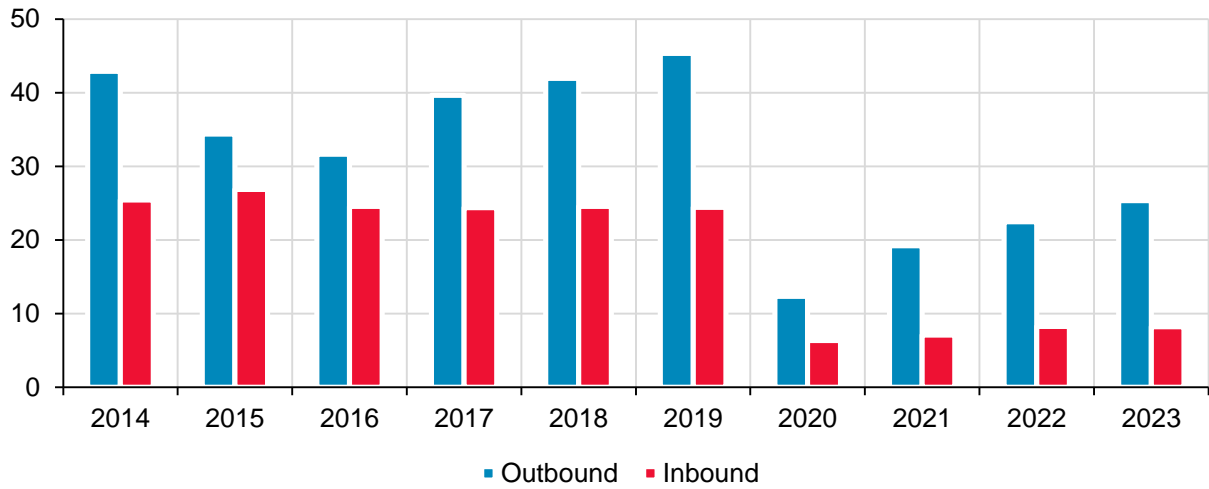
According to tourism companies, staff shortages in both the tourism sector (line personnel at hotels, guides, interpreters, etc.) and the transport sector (in particular, drivers) remain one of the main factors pushing up prices. The rise in prices for air transportation was also driven by a reduction in subsidies and an increase in tariffs for servicing airlines by some airports. Demand in the tourism market surpasses the capacities to ramp up supplies, which enables companies to pass through their rising costs to prices. Therefore, the representatives of the sector expect that the prices for tourism services will continue to grow fast.

PROSPECTS AND PLANS FOR THE SUMMER SEASON AND FOR ENTIRE 2024

As predicted by the Ministry of Economic Development of the Russian Federation, the overall tourist traffic will gain 8.6% year-on-year to reach 84 million people in 2024. According to high-frequency data of the relevant executive authorities, the South expects domestic tourist traffic to increase by 6% year-on-year in 2024, mainly due to a rise in the number of trips to Crimea and the Krasnodar and Stavropol Territories. As of the middle of May, the average booking rate for accommodation in this macro-region in July–August 2024 approaches 60%, showing a 5 pp increase year-on-year.

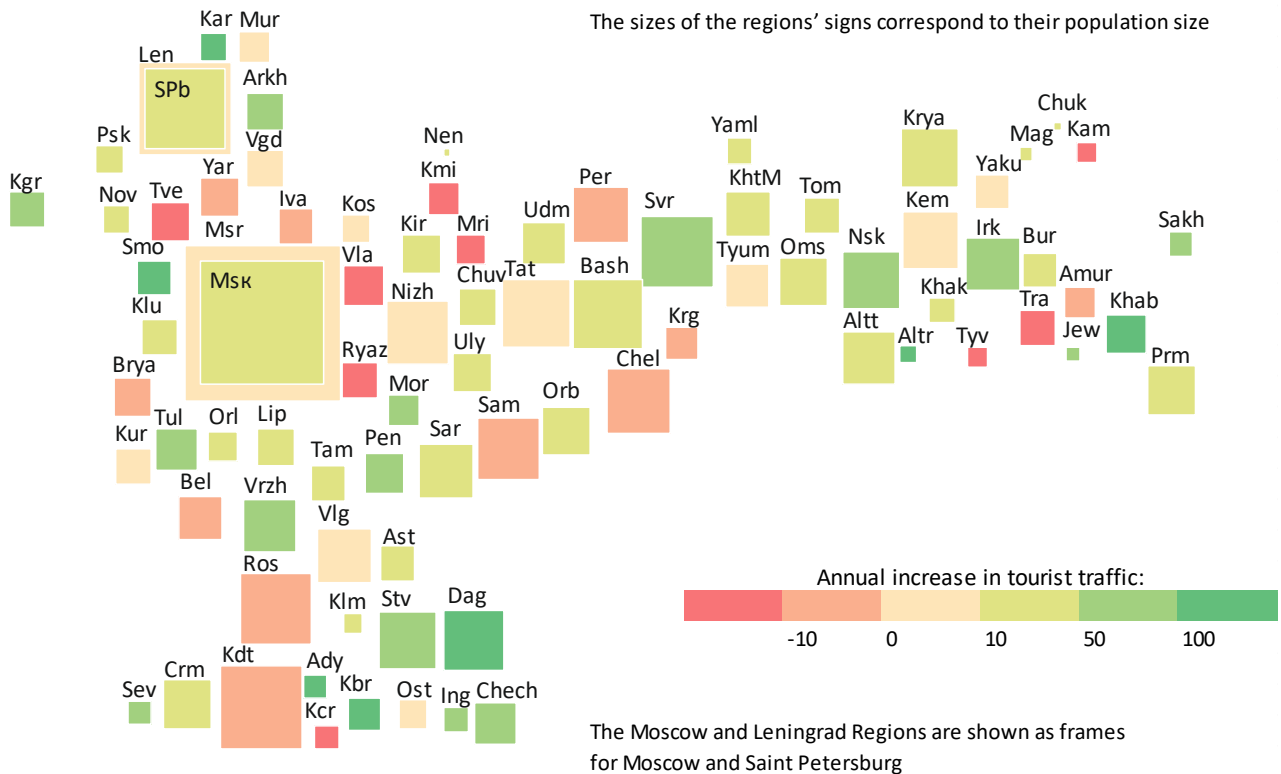
In 2024, demand for domestic tourism services will remain elevated and trips abroad will gradually rebound. Demand for domestic trips will encourage further development of the tourism sector and passenger transportation across Russia. However, high demand amid limited infrastructure capacities along with staff shortages still have a proinflationary effect on prices for tourism and transportation services.

Chart B-2-1. Outbound and inbound trips, mln trips



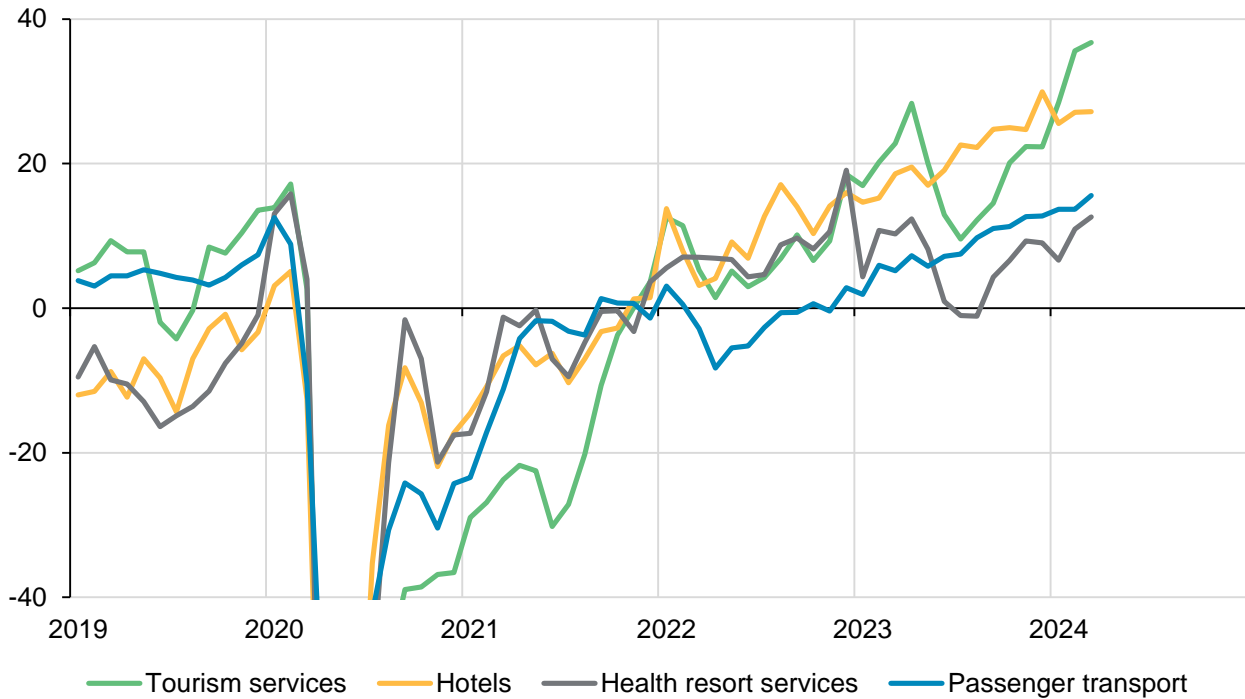
Source: Rosstat.

Chart B-2-2. Growth in domestic tourist traffic in 2023, * % YoY



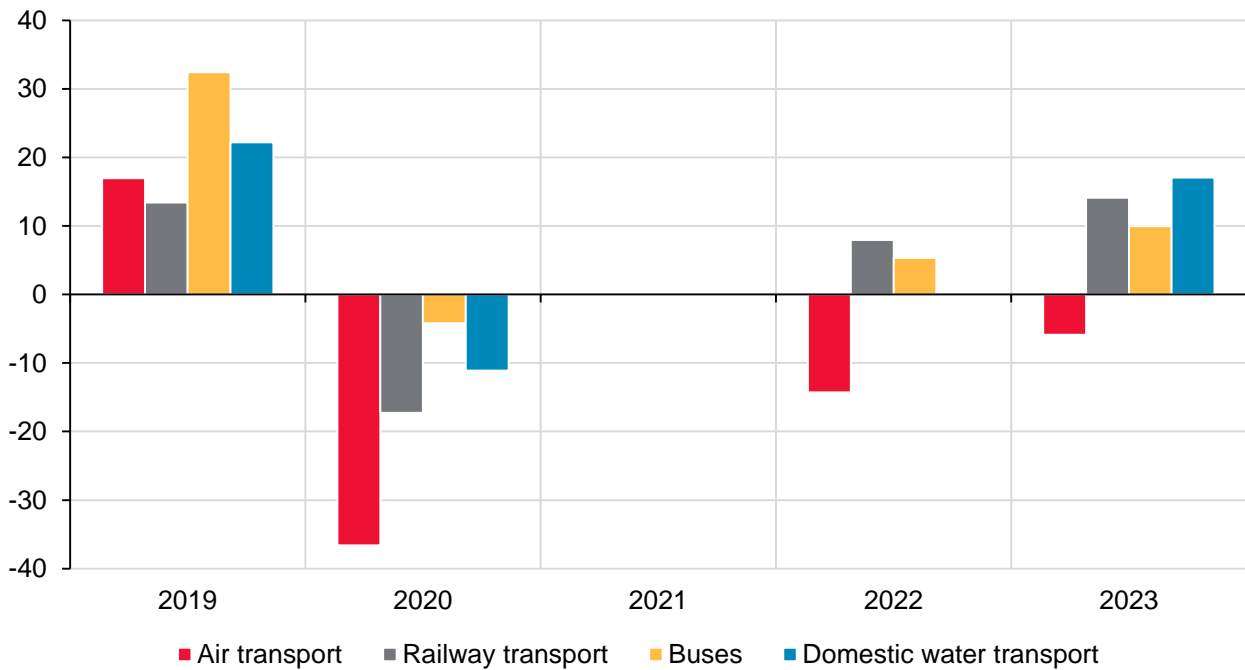
* Based on high-frequency monthly data. Official statistics do not include data on the Donetsk People's Republic, the Lugansk People's Republic, the Zaporozhye Region, and the Kherson Region. Sources: Rosstat, Bank of Russia calculations.

Chart B-2-3. Tourism services provided, % on 2021 Q4, SA



Sources: Rosstat, Bank of Russia calculations.

Chart B-2-4. Number of transported passengers by transport type, * % on 2021



* 2023 figures are based on high-frequency monthly data.

Sources: Rosstat, Bank of Russia calculations.

Chart B-2-5. Number of passengers transported by scheduled flights, by type of transport link, % on 2021 Q4, SA

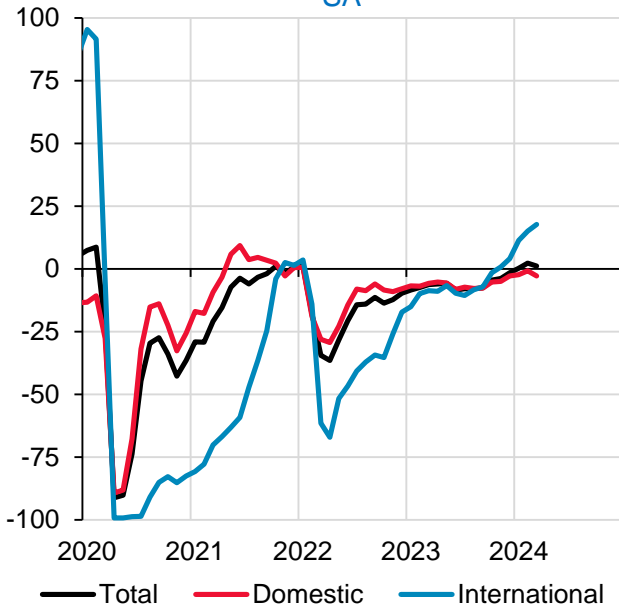
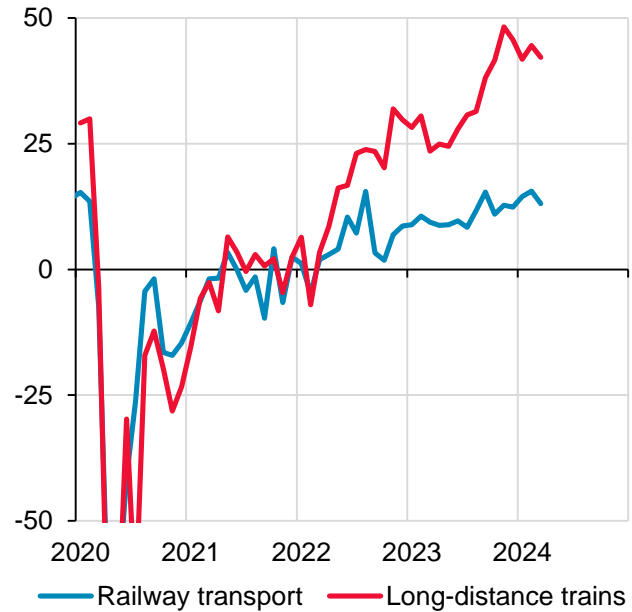


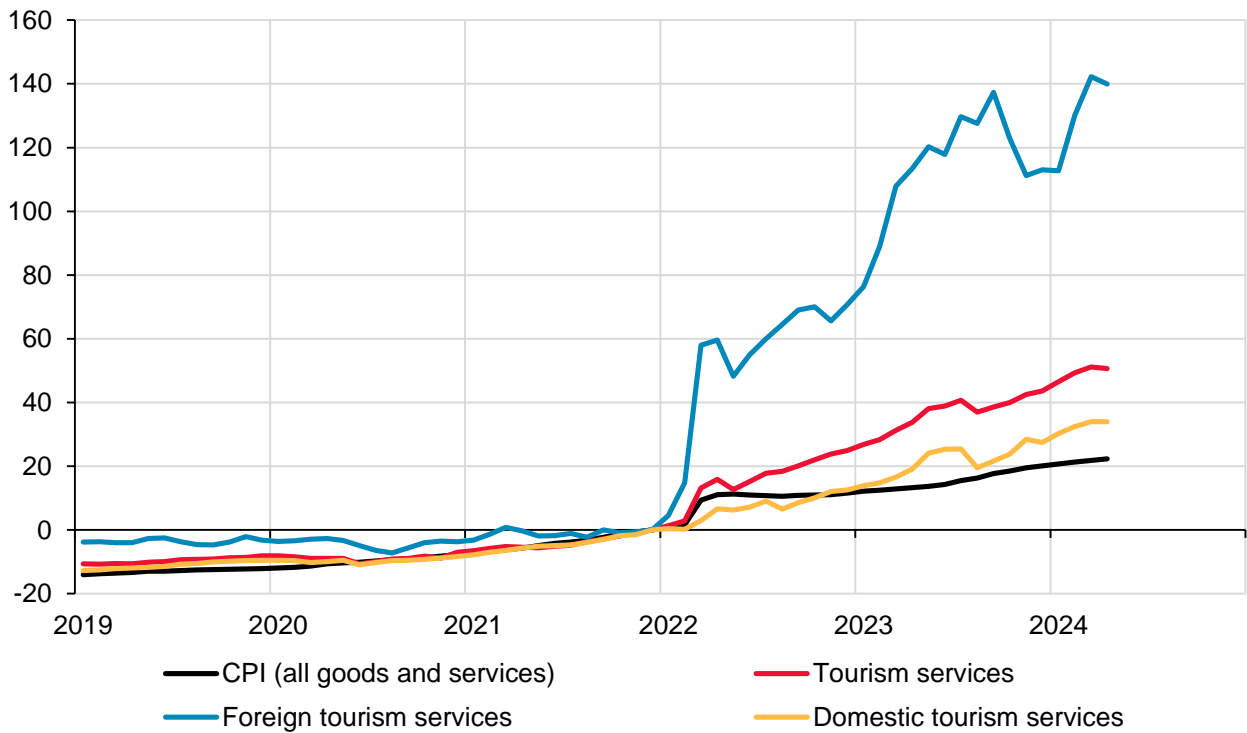
Chart B-2-6. Number of passengers transported by public rail transport, % on 2021 Q4, SA



Sources: Rosstat, Bank of Russia calculations.

Sources: Rosstat, Bank of Russia calculations.

Chart B-2-7. Prices for tourism services, % on December 2021, SA



Source: Rosstat.

BOX 3

INDUSTRY FOCUS. CONSTRUCTION OF APARTMENT BUILDINGS

In early 2024, most indicators of business activity in the construction of apartment buildings evidence continuing positive trends. By April 2024, the area of housing under construction exceeded the level of December 2019. Price pressure is gradually declining: growth in the housing price index decelerated in 2024 Q1 vs 2023 Q4. Most housing was purchased with a mortgage. In 2024 Q1, new mortgage loans in the new housing market remained at the high level of the last year. It is supported by the government subsidised programmes, mainly the Family Mortgage. Last year, almost all housing under construction (~90%) was purchased with a mortgage, mostly under subsidised programmes that are weekly sensitive to the changes in monetary policy.

DEMAND

In 2023, demand in the new housing market hit its multi-year highs. Sales of new flats in apartment buildings expanded by 42% to reach the record number of 773,000 equity construction contracts. According to the survey conducted by DOM.RF, around three-fourths of developer companies met their annual construction and sales targets in December 2023. As a result, ~80% of the facilities commissioned were sold out as of the end of 2023. In 2024 Q1, demand for new flats in apartment buildings remained at the elevated level of the last year.

Almost all housing under construction (~90%) was purchased with a mortgage, mostly under subsidised programmes that are weekly sensitive to the changes in monetary policy. Following 2023, new mortgage loans were generally up by ~60%, in particular, loans under government subsidised programmes doubled. From the middle of 2023, buyers were seeking to purchase real estate before the toughening of mortgage lending conditions (an increase in market rates, down payments, and a decrease in maximum loan amounts).

In 2024 Q1, new mortgage loans in the new housing market remained at the high level of the last year despite the toughening of the conditions under subsidised lending programmes⁶ and the introduction of subsidised mortgage fees for developers by leading commercial banks. Crimea and Sevastopol demonstrated high growth rates vs 2023 (2.6 times and 2.2 times, respectively). This was associated with favourable climate, the attractiveness of properties in resort areas, and the migration inflow to these regions. The increase in housing construction in Tyva was fuelled by a 2% subsidised mortgage programme launched in September 2023. The Khabarovsk Territory demonstrated the most significant growth in housing construction in the Far East (of almost a third in annualised terms), driven by stronger demand for the Far Eastern Mortgage and the expansion of construction as part of integrated territorial development.⁷ In the Moscow and Leningrad Regions, mortgage lending was declining. The main reason was a decrease in the maximum loan amount

⁶ From 23 December 2023, the down payment under the 8% subsidised mortgage programme was raised from 20% to 30%.

⁷ Integrated territorial development is a town planning activity aimed at upgrading and developing territories intended for both residential and non-residential buildings.

under the 8% subsidised mortgage programme from ₹12 million to ₹6 million from late December 2023.

In April 2024, demand for new housing rose. It was supported by government subsidised programmes, mainly the Family Mortgage. Its share in total new mortgage loans (including those for secondary housing) was up to 37% from 24% in April 2023.

SUPPLY

The number of new apartment building projects continues to grow. In 2023 H2, the residential area of apartment buildings as part of new projects reached record highs. At the end of 2024 Q1, the number of new projects launched increased by more than 10% year-on-year. The Far East, which applies special measures to support the housing market, demonstrated maximum growth in the areas under new apartment building projects. Siberia decreased the number of new projects launched, since the grant of construction permits had to be suspended in individual districts of Novosibirsk with a shortage of social facilities and several regions experienced a significant migration outflow.

In April 2024, the area of housing under construction increased by 10% year-on-year to reach 110.6 million square metres exceeding the level of December 2019. However, in 2024, the increase in the number of houses under construction was recorded mostly in the regions outside the top ten.

The expansion in construction in the Ryazan Region was fuelled by a beneficial regional mortgage programme for public sector employees at the rate that is 2 pp below the bank base rate under the federal support programmes, among others. The amount of loans granted under this programme reached ₹1.1 billion from the time when it was launched in July 2023.

Apart from elevated demand, growth in housing construction in the Chelyabinsk Region was partially driven by active cooperation with development institutions. With their participation, the region started to implement a number of integrated territorial development projects on federal commercial lands with the major part of these lands transferred to investors for development via equity auctions.⁸ The issuance of infrastructure bonds by individual development institutions facilitated the development of additional infrastructure (utility networks, schools, kindergartens, and the trolley bus network).

The amount of housing under construction in the North-West was dragged down by declining construction in St Petersburg owing to the shortage of land plots in the city and a decrease in demand for housing, among other things.

In early 2024, the commissioning of apartment buildings was down in annualised terms but remained above the values of 2021. In 2024 Q1, the commissioning declined by around a quarter year-on-year. In April, the decrease continued at a yearly pace of 13%. However, approximately a third of the regions managed to increase the commissioning. The Tyumen Region demonstrated the most significant result. The region is actively developing and the population is growing at a record pace. Following 2023, the commissioning of flats in apartment buildings was up by 14% year-on-year nationwide to hit a five-year high of 51.8 million square metres. Growth was observed in more than 60 regions. The most significant increases of the residential area in square metres were recorded in the Republic of Tatarstan, the Novosibirsk Region, Moscow, and the Leningrad Region.

⁸ Following equity auctions, investors transfer their shares of the flats in future residential complexes to the housing development institution. This allows developers not to allocate funds for purchasing title to the plot.

Owing to high sales in 2023, developers have built up a safety cushion. The lending conditions for them remain milder than across the market. The amount of funds that they obtained after the release of escrow accounts exceeds the level of the last year by more than 70% and the balance in escrow accounts – by ~41%. According to DOM.RF, a third of the housing under construction completed by 40% has already been sold out. This will help complete the current projects even in the event of lower sales. As of the end of March 2024, the average cost of liabilities under project finance was 6.9%, whereas the cost of raising new corporate loans was 15.0% in this month. High prices for new-build properties allow developers to complete the construction cycle with a third of flats unsold.

The current construction of apartment buildings remains exposed to the risk of rises in prices for construction materials and staff shortages. According to the sampling survey of business activity in construction conducted by Rosstat, in 2024 Q1, the high cost of materials and a shortage of skilled workers were reported as the main factors limiting the activity of construction companies by 45% and 31%, respectively. It is worth mentioning that the response option 'high commercial loan rate' was not even among the top three most popular responses. According to the Bank of Russia's survey of enterprises conducted in May 2024, almost two-thirds of the construction companies reported that the issue of staff shortages was crucial.

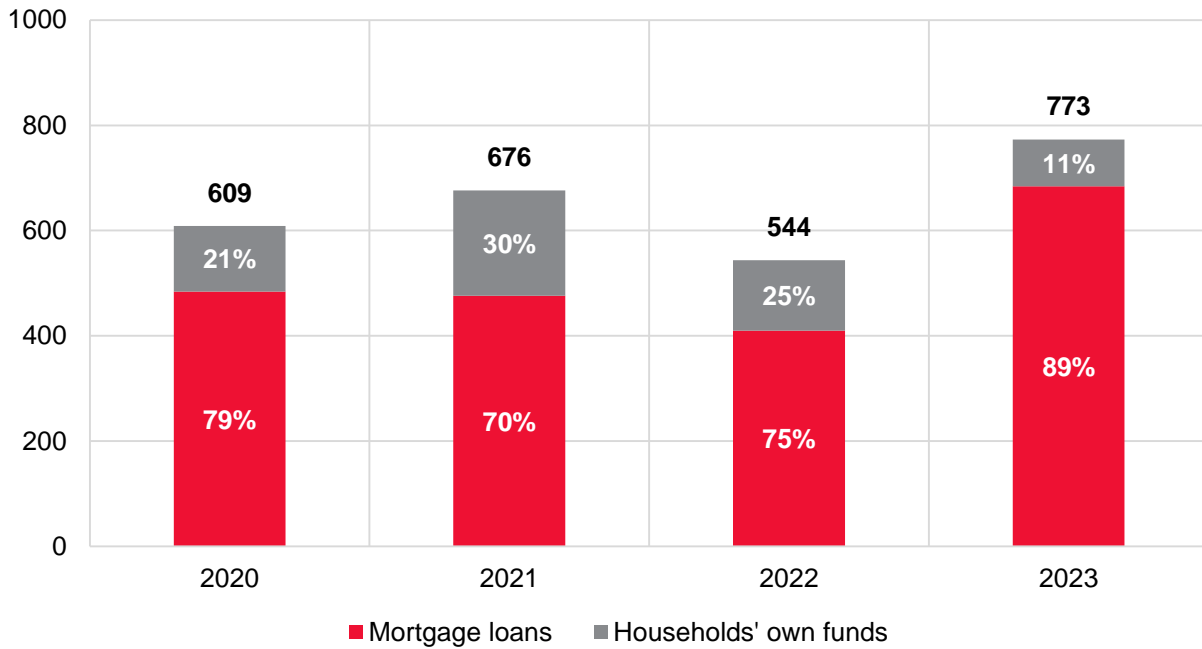
PRICES

Growth in the housing price index slowed down in 2024 Q1 as compared with the previous quarter. In the new housing market, it amounted to 102.5% vs 104.7% in 2023 Q4, in the existing housing market – to 101.1% vs 103.1% in 2023 Q4. During most of 2023, the new housing market was under elevated price pressure, which however was not as significant as in 2020–2021 when the subsidised mortgage programme was introduced and offered with initial parameters.

The increase in prices was curbed by expanding supply of new housing (the number of flats for sale). According to Domclick, the number of current advertisements in the new housing market across Russia was up by more than 10% in annualised terms. The supply of new housing expanded most significantly in the South where the gap between the prices for new and existing housing is minimal.

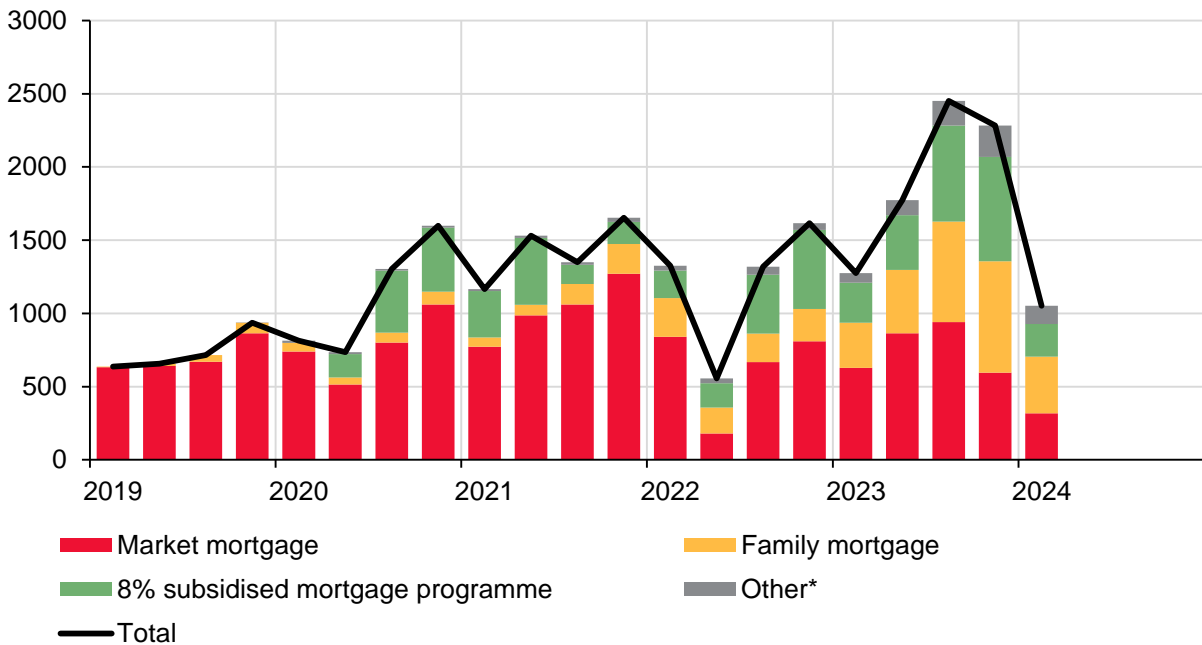
In early 2024, the sector continued to demonstrate positive dynamics. This is evidenced by the continuing increase in the number of new apartment building projects. In early 2024, the new projects were largely launched in the regions outside the top ten. Housing commissioning may slightly adjust downwards in 2024 from the record level of 2023. The rise in prices for construction materials, limited capacities to produce them, and staff shortages are the main factors constraining the construction sector. Demand in the new housing market contracted after the 8% subsidised mortgage was cancelled.

Chart B-3-1. Sales of apartment buildings, thousands of equity construction contracts



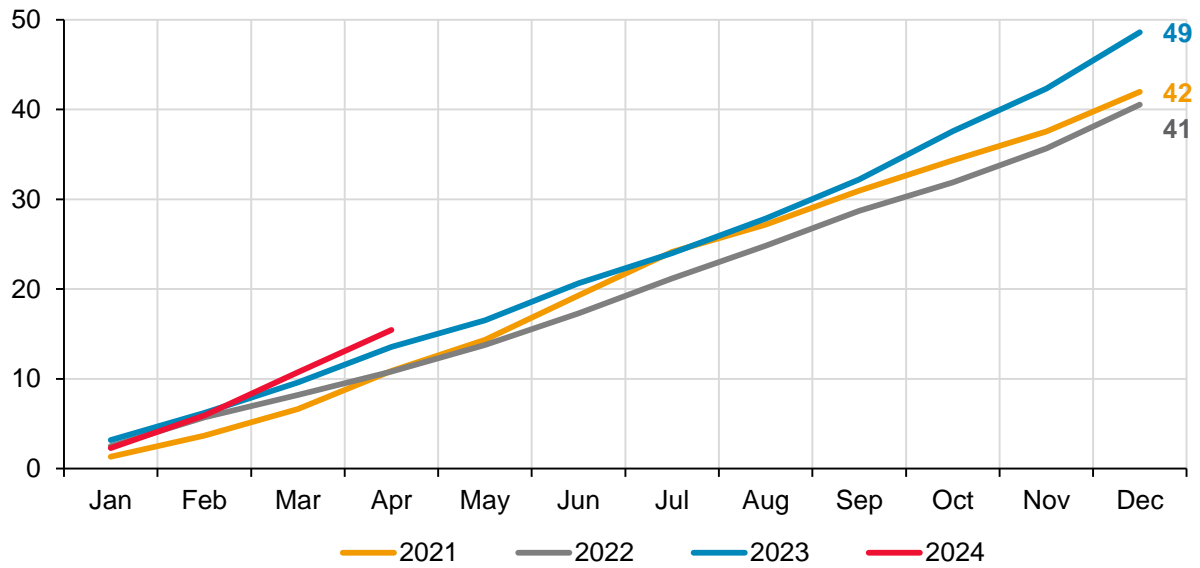
Sources: DOM.RF, Bank of Russia calculations.

Chart B-3-2. New mortgage loans, ₹ bn



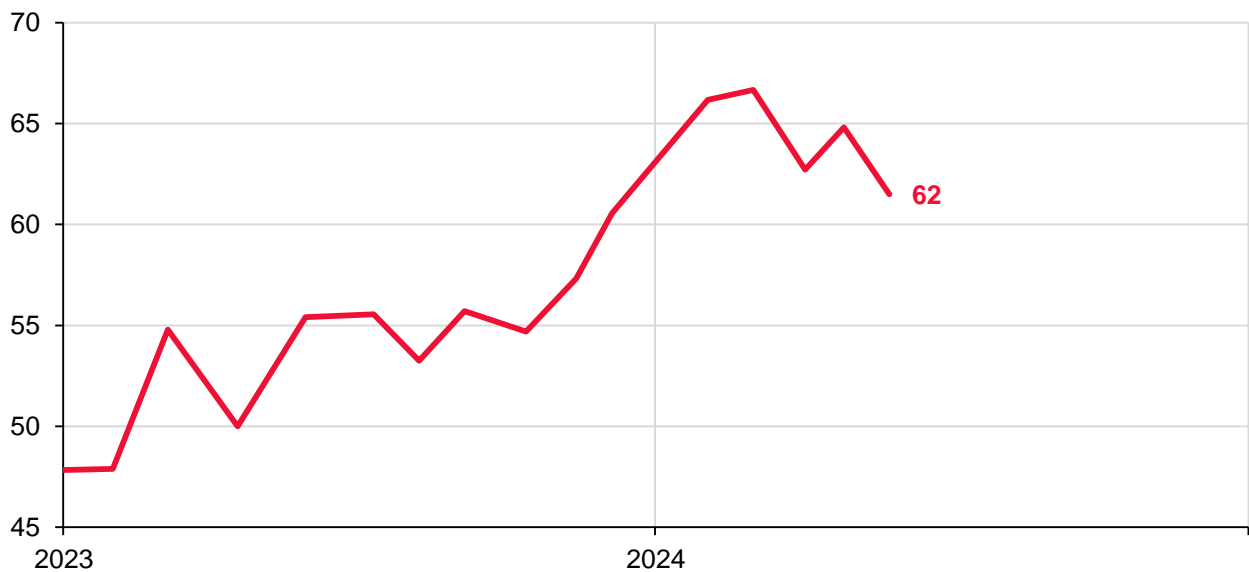
* Far Eastern Mortgage, Arctic Mortgage, IT Mortgage.
 Sources: DOM.RF, Bank of Russia calculations.

Chart B-3-3. Residential area of new apartment building projects (year-to-date), mln sq.m.



Source: DOM.RF

Chart B-3-4. Share of construction companies with staff shortages



Sources: monitoring of businesses, Bank of Russia.

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ANNEX

CORE ECONOMIC INDICATORS

Core indicators. Russia

Table 1

		2022	2023	2023	2023	2023	2023	2024	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	7.4	3.5	3.3	6.0	7.4	7.7	7.7	7.8	
Core inflation	% YoY	14.3	6.8	3.7	2.4	4.6	6.8	7.8	7.8	8.3	
Industrial production	3MMA, % YoY	0.7	3.5	-1.3	5.7	5.4	4.1	5.6	5.6		
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	3.5	3.5		
Housing commissioning	3MMA, % YoY	11.0	7.5	-1.2	-0.6	4.1	30.3	1.5	1.5	1.9	
Retail	3MMA, % YoY	-6.5	8.0	-5.5	11.1	14.0	11.6	10.4	10.4		
Commercial services	3MMA, % YoY	5.0	4.4	2.8	5.0	4.9	5.0	5.8	5.8		
Real wages	3MMA, % YoY	0.3	7.8	1.6	11.4	8.6	8.6				
Real disposable income	% YoY	4.0	5.6	4.2	4.7	6.0	6.9				
Unemployment	% SA	4.0	3.2	3.5	3.2	3.0	2.9	2.8	2.8		
Outstanding consumer loans	% YoY	2.5	16.3	4.9	12.4	16.9	16.3	18.2	18.2	18.8	
Outstanding mortgage loans	% YoY	17.7	30.1	16.0	23.5	29.1	30.1	27.7	27.7	26.1	
Funds in escrow accounts	% YoY	32.7	38.4	11.8	15.0	30.0	38.4	37.6	37.6	37.8	
Non-financial organisations' outstanding bank loans	% YoY	19.7	24.6	19.4	23.9	26.1	24.6	23.2	23.2		
• Large borrowers	% YoY	17.6	23.6	17.7	21.9	24.9	23.6	22.3	22.3		
• SMEs	% YoY	29.9	28.9	27.6	32.1	31.1	28.9	26.9	26.9		
Companies' price expectations	Balance of responses, SA	21.7	19.5	16.9	16.4	21.4	23.2	20.0	18.6	19.6	19.6
Business Climate Index	SA, pp	-0.1	6.7	5.4	8.7	5.9	7.0	8.6	10.7	10.7	11.1
• Current estimates	SA, pp	-6.1	1.0	-1.2	3.9	1.1	0.5	1.6	4.0	4.1	6.2
• Expectations	SA, pp	6.0	12.6	12.3	13.6	10.9	13.7	15.9	17.6	17.5	16.1

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.5	7.4	4.2	3.6	6.1	7.4	7.6	7.6	7.7	
Core inflation	% YoY	14.9	7.0	4.3	2.9	4.8	7.0	7.8	7.8	8.2	
Industrial production	3MMA, % YoY	9.2	13.5	6.3	13.6	16.2	16.8	13.9	13.9		
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	2.6	2.6		
Housing commissioning	3MMA, % YoY	12.6	0.3	-11.4	-9.7	-7.2	35.9	-17.9	-17.9	-13.4	
Retail	3MMA, % YoY	-10.5	6.7	-11.2	10.2	13.6	14.6	11.3	11.3		
Commercial services	3MMA, % YoY	7.3	6.5	2.1	7.8	7.1	8.6	9.3	9.3		
Real wages	3MMA, % YoY	-0.9	6.7	-2.3	10.2	8.0	9.8				
Real disposable income	% YoY	3.0	7.2	3.9	3.6	9.4	10.3				
Unemployment	% SA	3.0	2.5	2.8	2.6	2.4	2.3	2.0	2.0		
Outstanding consumer loans	% YoY	2.7	16.0	4.7	11.9	16.5	16.0	17.0	17.0	17.9	
Outstanding mortgage loans	% YoY	16.9	25.0	14.8	20.3	24.0	25.0	23.6	23.6	22.3	
Funds in escrow accounts	% YoY	39.6	24.9	16.1	15.7	25.5	24.9	26.6	26.6	28.4	
Non-financial organisations' outstanding bank loans	% YoY	15.6	24.5	18.3	23.1	24.5	24.5	21.7	21.7		
• Large borrowers	% YoY	13.2	24.2	16.2	20.8	23.9	24.2	21.4	21.4		
• SMEs	% YoY	30.1	26.2	30.1	34.7	27.2	26.2	23.3	23.3		
Companies' price expectations	Balance of responses, SA	28.3	25.7	20.0	22.2	29.2	31.4	25.8	25.3	25.7	26.3
Business Climate Index	SA, pp	0.2	6.7	5.6	6.2	5.6	9.4	10.2	12.0	7.9	8.6
• Current estimates	SA, pp	-6.3	0.5	-0.6	0.5	-0.2	2.3	4.1	6.7	1.9	2.9
• Expectations	SA, pp	6.9	13.0	11.9	12.1	11.5	16.7	16.6	17.4	14.1	14.5

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	7.1	3.3	3.6	5.9	7.1	7.4	7.4	7.6	
Core inflation	% YoY	14.7	6.4	3.8	2.7	4.3	6.4	7.5	7.5	8.1	
Industrial production	3MMA, % YoY	0.5	4.3	-0.4	6.4	7.0	5.6	7.5	7.5		
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	1.0	1.0		
Housing commissioning	3MMA, % YoY	8.4	1.7	-10.1	-6.1	15.7	12.2	8.3	8.3	2.0	
Retail	3MMA, % YoY	-6.3	13.1	-3.2	17.4	19.8	19.2	9.7	9.7		
Commercial services	3MMA, % YoY	4.8	3.0	3.8	2.2	3.8	2.3	6.7	6.7		
Real wages	3MMA, % YoY	0.4	6.5	0.6	10.3	7.5	6.6				
Real disposable income	% YoY	3.2	4.0	4.1	2.3	6.5	3.1				
Unemployment	% SA	3.3	2.7	3.1	2.7	2.6	2.4	2.5	2.5		
Outstanding consumer loans	% YoY	1.7	13.5	3.8	10.9	14.9	13.5	15.1	15.1	15.5	
Outstanding mortgage loans	% YoY	15.3	23.0	12.7	18.0	21.8	23.0	21.7	21.7	20.2	
Funds in escrow accounts	% YoY	32.4	25.7	7.5	9.5	16.7	25.7	18.6	18.6	15.9	
Non-financial organisations' outstanding bank loans	% YoY	45.4	29.6	34.8	37.6	51.4	29.6	35.3	35.3		
• Large borrowers	% YoY	46.1	32.3	39.3	42.2	53.3	32.3	36.6	36.6		
• SMEs	% YoY	42.0	16.3	14.2	17.5	42.6	16.3	28.1	28.1		
Companies' price expectations	Balance of responses, SA	24.0	21.8	17.9	19.2	24.1	25.8	21.3	20.4	24.2	25.2
Business Climate Index	SA, pp	-4.5	2.9	0.7	3.5	2.5	4.9	6.2	6.5	5.6	6.0
• Current estimates	SA, pp	-9.8	-2.7	-5.2	-2.0	-2.3	-1.3	-0.7	-1.2	-1.3	1.1
• Expectations	SA, pp	1.0	8.6	6.8	9.1	7.4	11.3	13.4	14.5	12.6	11.1

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.4	7.1	3.7	3.2	5.9	7.1	7.3	7.3	7.5	
Core inflation	% YoY	14.7	6.6	3.5	2.2	4.4	6.6	7.4	7.4	7.8	
Industrial production	3MMA, % YoY	3.0	7.7	1.4	10.8	10.3	7.9	7.2	7.2		
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	0.6	0.6		
Housing commissioning	3MMA, % YoY	3.8	9.9	14.5	9.1	-10.4	33.7	7.8	7.8	9.4	
Retail	3MMA, % YoY	-3.6	10.1	-0.7	13.7	13.4	13.5	10.9	10.9		
Commercial services	3MMA, % YoY	3.6	4.0	3.9	3.8	4.5	3.6	4.8	4.8		
Real wages	3MMA, % YoY	0.8	10.9	4.8	14.0	11.9	10.9				
Real disposable income	% YoY	4.0	4.7	4.1	6.4	3.5	4.9				
Unemployment	% SA	3.2	2.4	2.7	2.5	2.2	2.0	2.0	2.0		
Outstanding consumer loans	% YoY	1.2	17.8	4.2	12.1	17.3	17.8	20.8	20.8	21.4	
Outstanding mortgage loans	% YoY	15.4	32.1	13.8	22.6	30.6	32.1	29.6	29.6	27.9	
Funds in escrow accounts	% YoY	11.6	47.9	-7.3	1.3	26.5	47.9	50.5	50.5	53.1	
Non-financial organisations' outstanding bank loans	% YoY	11.0	18.3	8.4	14.2	15.1	18.3	16.1	16.1		
• Large borrowers	% YoY	8.0	12.2	4.9	9.5	8.8	12.2	9.5	9.5		
• SMEs	% YoY	18.8	32.5	17.4	24.8	29.8	32.5	31.1	31.1		
Companies' price expectations	Balance of responses, SA	28.6	26.2	21.0	23.4	30.5	30.0	25.0	25.6	26.3	27.0
Business Climate Index	SA, pp	0.9	9.2	7.5	11.1	7.7	10.5	10.8	13.3	14.1	14.5
• Current estimates	SA, pp	-6.6	2.4	-0.2	4.6	2.0	3.0	4.0	7.6	6.2	9.9
• Expectations	SA, pp	8.8	16.3	15.6	17.8	13.6	18.2	17.7	19.1	22.3	19.2

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.7	7.8	4.0	3.6	6.7	7.8	7.8	7.8	7.7	
Core inflation	% YoY	14.4	6.8	5.0	2.7	4.9	6.8	7.9	7.9	8.2	
Industrial production	3MMA, % YoY	5.3	2.7	-0.9	6.3	7.6	-1.7	9.1	9.1		
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	-14.2	-14.2		
Housing commissioning	3MMA, % YoY	18.0	11.3	-3.3	-11.1	23.1	40.3	11.4	11.4	22.2	
Retail	3MMA, % YoY	-2.4	10.9	2.5	15.6	19.5	6.3	11.3	11.3		
Commercial services	3MMA, % YoY	5.4	2.9	2.8	3.4	2.7	2.8	3.5	3.5		
Real wages	3MMA, % YoY	-0.9	7.1	4.8	10.5	6.9	6.1				
Real disposable income	% YoY	4.3	4.0	5.0	5.5	6.3	0.5				
Unemployment	% SA	6.4	5.3	5.7	5.3	5.2	5.2	4.9	4.9		
Outstanding consumer loans	% YoY	3.1	19.8	5.8	13.7	18.9	19.8	23.0	23.0	23.6	
Outstanding mortgage loans	% YoY	24.9	43.4	25.1	35.4	43.2	43.4	38.7	38.7	37.1	
Funds in escrow accounts	% YoY	25.1	106	18.8	42.2	71.3	106	102	102	96.0	
Non-financial organisations' outstanding bank loans	% YoY	27.2	21.0	28.1	31.1	18.5	21.0	17.1	17.1		
• Large borrowers	% YoY	22.6	8.5	23.0	24.9	7.5	8.5	3.6	3.6		
• SMEs	% YoY	38.1	46.8	39.6	43.3	43.0	46.8	44.0	44.0		
Companies' price expectations	Balance of responses, SA	21.5	19.2	15.9	16.3	22.9	21.7	17.3	16.9	18.3	19.5
Business Climate Index	SA, pp	1.5	6.4	6.0	6.6	5.8	7.3	9.4	10.2	10.3	8.5
• Current estimates	SA, pp	-4.8	0.1	-0.5	0.8	-0.3	0.3	0.6	2.0	1.6	3.0
• Expectations	SA, pp	7.9	12.9	12.7	12.5	12.0	14.5	18.6	18.6	19.4	14.3

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.0	6.7	2.2	2.2	5.0	6.7	7.5	7.5	7.6	
Core inflation	% YoY	12.4	6.0	1.5	1.0	3.2	6.0	7.4	7.4	7.8	
Industrial production	3MMA, % YoY	0.0	1.9	-1.5	4.3	2.0	1.9	2.4	2.4		
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	10.2	10.2		
Housing commissioning	3MMA, % YoY	11.2	9.3	3.6	13.4	9.6	11.7	12.4	12.4	2.7	
Retail	3MMA, % YoY	-5.1	9.1	-0.8	13.3	14.2	9.4	10.9	10.9		
Commercial services	3MMA, % YoY	2.7	3.6	3.1	4.4	4.0	2.8	4.3	4.3		
Real wages	3MMA, % YoY	1.4	9.6	5.8	13.9	9.5	7.8				
Real disposable income	% YoY	4.1	6.6	7.1	7.7	0.4	10.7				
Unemployment	% SA	3.3	2.5	2.8	2.5	2.4	2.3	2.2	2.2		
Outstanding consumer loans	% YoY	1.6	16.4	4.3	12.1	17.1	16.4	18.9	18.9	19.1	
Outstanding mortgage loans	% YoY	16.5	32.6	15.6	24.8	31.8	32.6	29.3	29.3	27.2	
Funds in escrow accounts	% YoY	21.9	69.3	3.4	11.1	37.8	69.3	60.9	60.9	55.6	
Non-financial organisations' outstanding bank loans	% YoY	17.4	19.0	13.1	18.4	18.8	19.0	16.5	16.5		
• Large borrowers	% YoY	16.0	14.2	8.9	14.4	14.3	14.2	13.8	13.8		
• SMEs	% YoY	25.9	44.6	38.3	39.0	42.2	44.6	29.1	29.1		
Companies' price expectations	Balance of responses, SA	24.2	19.4	16.2	16.6	21.6	23.2	21.1	18.8	20.7	20.9
Business Climate Index	SA, pp	1.9	9.9	9.0	10.3	9.8	10.4	12.5	12.8	10.8	11.7
• Current estimates	SA, pp	-4.3	4.8	2.0	6.2	5.9	5.0	5.8	4.8	4.5	6.5
• Expectations	SA, pp	8.2	15.1	16.2	14.4	13.8	16.0	19.5	21.0	17.1	17.0

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	12.7	8.2	3.4	3.2	6.6	8.2	8.6	8.6	8.8	
Core inflation	% YoY	14.2	7.6	2.6	1.8	4.7	7.6	8.7	8.7	9.3	
Industrial production	3MMA, % YoY	1.2	-1.4	-2.0	0.5	-2.5	-1.7	2.3	2.3		
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	12.0	12.0		
Housing commissioning	3MMA, % YoY	3.5	22.4	12.0	29.5	3.0	54.5	6.6	6.6	-0.9	
Retail	3MMA, % YoY	-2.7	8.7	-1.4	12.6	13.1	10.6	11.1	11.1		
Commercial services	3MMA, % YoY	5.5	3.7	3.7	5.1	4.0	2.3	1.6	1.6		
Real wages	3MMA, % YoY	1.9	8.7	4.4	12.7	8.5	7.3				
Real disposable income	% YoY	5.9	5.8	3.7	5.8	6.5	6.4				
Unemployment	% SA	4.8	3.6	3.9	3.8	3.6	3.2	3.1	3.1		
Outstanding consumer loans	% YoY	3.7	15.5	6.2	13.8	17.4	15.5	17.2	17.2	17.5	
Outstanding mortgage loans	% YoY	17.3	33.0	16.2	25.5	32.3	33.0	30.3	30.3	28.2	
Funds in escrow accounts	% YoY	25.0	67.9	13.6	17.6	52.9	67.9	61.1	61.1	58.8	
Non-financial organisations' outstanding bank loans	% YoY	17.0	29.7	10.9	13.5	24.7	29.7	29.6	29.6		
• Large borrowers	% YoY	11.8	34.6	5.3	5.2	25.8	34.6	35.1	35.1		
• SMEs	% YoY	33.8	16.7	29.5	35.1	21.6	16.7	15.1	15.1		
Companies' price expectations	Balance of responses, SA	25.0	23.6	19.0	19.3	27.0	29.0	24.0	22.9	24.1	24.7
Business Climate Index	SA, pp	2.4	10.4	9.2	12.3	9.5	10.6	11.5	14.0	13.1	15.1
• Current estimates	SA, pp	-5.6	3.1	0.9	6.1	3.0	2.3	2.9	6.5	4.7	9.1
• Expectations	SA, pp	10.9	18.0	17.8	18.7	16.2	19.2	20.5	21.7	22.0	21.3

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	Mar	Apr	May
				Q1	Q2	Q3	Q4	Q1			
Inflation	% YoY	11.9	8.0	5.2	4.0	7.1	8.0	8.4	8.4	8.6	
Core inflation	% YoY	14.0	8.3	5.5	3.7	6.5	8.3	8.9	8.9	9.5	
Industrial production	3MMA, % YoY	-4.2	3.2	-4.2	5.8	12.4	5.7	4.4	4.4		
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	12.4	12.4		
Housing commissioning	3MMA, % YoY	13.7	21.4	45.1	25.4	10.3	14.2	8.6	8.6	2.6	
Retail	3MMA, % YoY	-0.6	3.9	-1.6	4.8	6.0	6.3	6.1	6.1		
Commercial services	3MMA, % YoY	-0.9	0.4	-2.3	2.3	0.9	0.8	2.8	2.8		
Real wages	3MMA, % YoY	0.1	5.2	1.5	6.2	6.0	5.4				
Real disposable income	% YoY	6.9	2.0	-1.4	2.3	0.9	5.3				
Unemployment	% SA	3.9	3.0	3.2	3.0	2.9	2.8	2.6	2.6		
Outstanding consumer loans	% YoY	3.7	12.5	6.4	12.7	15.5	12.5	13.8	13.8	14.3	
Outstanding mortgage loans	% YoY	23.3	32.8	20.2	27.0	31.4	32.8	29.7	29.7	28.2	
Funds in escrow accounts	% YoY	34.0	46.0	12.9	14.2	28.1	46.0	35.0	35.0	37.1	
Non-financial organisations' outstanding bank loans	% YoY	18.9	32.3	27.3	29.8	30.6	32.3	33.3	33.3		
• Large borrowers	% YoY	21.0	33.7	33.0	34.6	35.8	33.7	35.2	35.2		
• SMEs	% YoY	11.0	26.3	7.6	15.0	11.1	26.3	25.2	25.2		
Companies' price expectations	Balance of responses, SA	21.0	18.8	17.1	16.1	20.2	21.7	16.9	15.5	16.1	18.0
Business Climate Index	SA, pp	1.7	7.4	6.0	9.1	7.3	7.2	8.4	10.5	9.8	10.9
• Current estimates	SA, pp	-4.4	0.7	-1.8	3.5	0.7	0.2	2.8	5.7	4.0	5.8
• Expectations	SA, pp	7.9	14.4	14.2	14.8	14.2	14.4	14.2	15.4	15.7	16.1

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