



Bank of Russia



BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS

No. 10 (44) • October 2019

Information and analytical commentary

8 November 2019

BANKING SECTOR LIQUIDITY AND FINANCIAL MARKETS: FACTS, ASSESSMENTS AND COMMENTS (OCTOBER 2019)

- The structural liquidity surplus reduced to 2.3 trillion rubles in October (-0.6 trillion rubles). As in the previous month, banks increased balances in their correspondent accounts with the Bank of Russia, which contributed to this temporary drop in the surplus.
- The spread between short-term interbank rates and the key rate remained negative, averaging -16 bp over the averaging period (in the September averaging period: -21 bp; since the beginning of 2019: -16 bp). Interest rates were under the pressure of market participants' expectations for the key rate cut at the meeting of the Bank of Russia Board of Directors at the end of October.
- Interest rates in the FX swap segment stayed close to interbank rates as banking sector foreign currency liquidity remained at a comfortable level.
- In October, most segments of the Russian financial market showed a rise in quotes driven by both external and internal factors, in particular improved investors' expectations regarding the prospects of the trade disputes and the Brexit-related situation and the easing of monetary policy in a number of countries, including Russia.
- The downward trend of loan and deposit interest rates continued in August–October, being affected by the Bank of Russia's key rate decisions.
- Credit and deposit transactions demonstrated an increase in maturities, which could be driven by a gradual decline in economic agents' inflation expectations, including for the medium term.

BANKING SECTOR LIQUIDITY AND MONEY MARKET

Ruble liquidity. The structural liquidity surplus dropped by 0.6 trillion rubles in October to total 2.3 trillion rubles (Chart 1). As in the previous month, banks increased balances in their correspondent accounts with the Bank of Russia, which contributed to this decrease in the surplus. Expecting the Bank of Russia Board of Directors to cut the key rate at the meeting on 25 October 2019, banks formed high liquidity supply at the Bank of Russia deposit auctions. After the approval of the key rate decision, banks increased their correspondent account balances during the last week of the required reserves averaging period, which reduced the liquidity surplus as of early November.

The Bank of Russia recommenced to gradually build up the volume of its coupon bond offerings (coupon OBRs). In October, banks increased their investments in coupon OBRs by 300 billion rubles.

The repayment of deposits of extra-budgetary funds (the Social Insurance Fund of the Russian Federation) contributed to the

liquidity outflow from banks in October. Growth of credit institutions' debt within the long-term Federal Treasury operations halted. Yet, at the end of the month some banks raised funds under one-day repo transactions. In general, there was a moderate liquidity outflow through the budget channel due to seasonally large quarterly tax payments that were not fully offset by a rise in budget expenditure and budgetary fund balances with banks.

Money market. The spread between short-term interbank rates and the Bank of Russia key rate slightly shrank to equal -16 bp (in the September averaging period: -21 bp; since the beginning of 2019: -16 bp) (Chart 2). Volatility increased a little, reaching 18 bp. As before, expectations for a key rate cut put a downward pressure on interest rates. In this situation, banks strived to be able to deposit funds at a high interest rate before the Bank of Russia Board of Directors approved its decision. As a result, interest rates formed considerably below the key rate due to excessive money supply in the interbank market. A higher spread volatility was driven by the outflow of funds at the end

of the month, which was associated with tax payments by banks' customers and caused a temporary increase in the spread between interbank rates and the key rate to 25 bp. After the weekly deposit auction, the spread shrank.

Foreign currency liquidity. As before, interest rate spreads in the FX swap and interbank (basis) segments formed close to zero, averaging +1 bp in the October averaging period (-4 bp in the September averaging period) (Chart 3). The banking sector preserves a foreign-currency liquidity cushion accumulated in 2018 H2–2019 H1, which supports interest rates in the FX swap segment near interbank rates.

The **forecast of the structural liquidity surplus for the end of 2019** remains at the level of 3.6–3.9 trillion rubles. On the back of suspended foreign currency purchases to take

place in 2020, the structural liquidity surplus is expected to increase to 4.1–4.6 trillion rubles.

Key rate expectations. The decision of the Bank of Russia Board of Directors to cut the key rate was in line with the market expectations. Yet, there was uncertainty about the figures: a 25 or 50 bp decrease. After the decision was approved, market participants showed different expectations regarding further key rate dynamics. Analysts surveyed by Bloomberg expect that the key rate will stay close to 6.5% until the end of the year, while Reuters' findings show that another 25 bp key rate cut is expected in the market until the end of 2019. Market quotes also factor in the expectations for a 25 bp key rate decrease at the end of the year.

MARKET PARTICIPANTS EXPECT ANOTHER KEY RATE CUT BY THE END OF 2019

Table 1

1. Expectations based on market indicators*, interest rate (instrument)	As of 31.12.2019
– MosPrime 3M (FRA)	6.19 (7.03)
– RUONIA (ROISfix)	6.27 (6.76)
– RUONIA (futures)	6.27 (6.74)
2. Analysts' key rate expectations*	As of 31.12.2019
– Bloomberg survey	6.50 (6.75)
– Reuters survey	6.25 (6.75)
3. Imputed inflation rate (OFZ-IN)	October 2019
OFZ-IN-52 001 (until 16.08.2023)	3.04 (3.25)
OFZ-IN-52 002 (from 16.08.2023 until 02.02.2028)	3.40 (3.77)

* Values are given as of the end of the current and previous months (in brackets).
Source: Bank of Russia calculations.

THE FORECAST OF THE STRUCTURAL LIQUIDITY SURPLUS FOR THE END OF 2019 REMAINS AT THE LEVEL OF 3.6–3.9 TRILLION RUBLES (TRILLIONS OF RUBLES)

Table 2

	January–October 2019	October 2019	2019 (estimate)	2020 (forecast)
1. Liquidity factors (supply)	0.6	-0.1	[0.8; 1.1]	[0.7; 0.9]
– change in the balances of general government accounts with the Bank of Russia, and other operations*	-0.1	-0.2	[0.8; 1.0]	[1.1; 1.2]
– change in the amount of cash in circulation	0.3	0.1	[-0.3; -0.2]	[-0.4; -0.3]
– Bank of Russia interventions in the domestic FX market and monetary gold purchases**	0.4	0.0	0.4	-
– regulation of banks' required reserves with the Bank of Russia	0.0	0.0	0.0	0.0
2. Change in free bank reserves (correspondent accounts)*** (demand)	1.3	0.5	0.3	0.1
3. Change in banks' claims on deposits with the Bank of Russia and BoR coupon bonds	-0.8	-0.6	[0.5; 0.8]	[0.5; 0.7]
4. Change in outstanding amounts on Bank of Russia refinancing operations (4 = 2 + 3 - 1)	-0.1	0.0	0.0	0.0
Structural liquidity deficit (+) / surplus (-) (as of the period-end)	-2.3		[-3.9; -3.6]	[-4.6; -4.1]

* Including fiscal rule-based operations to buy (sell) foreign currency in the domestic FX market, settlements on Bank of Russia USD/RUB FX swaps, and other operations.

** Forecast values of the indicator are in line with the actual amount of operations conducted.

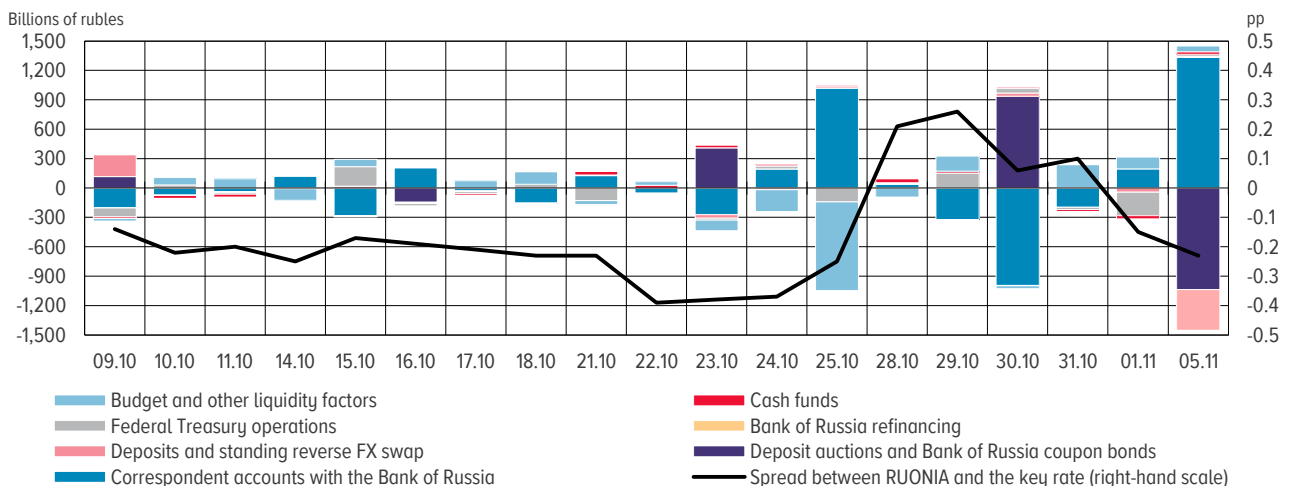
*** The forecast for the end of 2019 implies uniform averaging of required reserves by banks and correspondent account balances close to the required ratio.

Source: Bank of Russia calculations.

IN OCTOBER 2019, THERE WAS A MODERATE LIQUIDITY OUTFLOW THROUGH THE BUDGET CHANNEL DUE TO SEASONALLY LARGE QUARTERLY TAX PAYMENTS THAT WERE NOT FULLY OFFSET BY A RISE IN BUDGET EXPENDITURE AND PLACEMENT OF BUDGETARY FUNDS WITH BANKS

Рис. 1

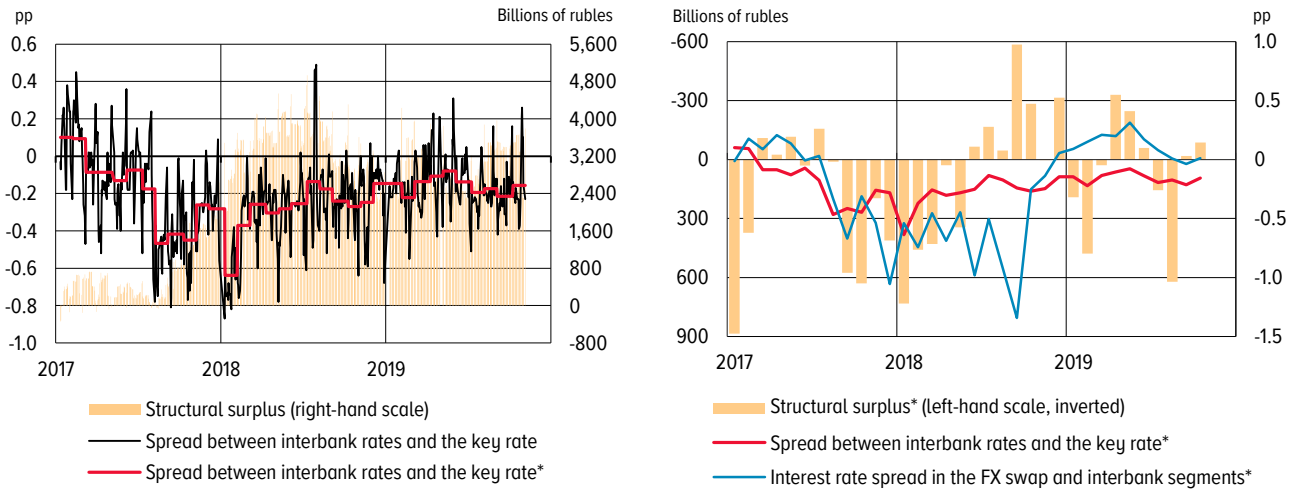
Changes in the Bank of Russia balance sheet and money market rates (overnight)



Source: Bank of Russia calculations.

THE SPREAD BETWEEN INTERBANK RATES AND THE KEY RATE REMAINED NEGATIVE

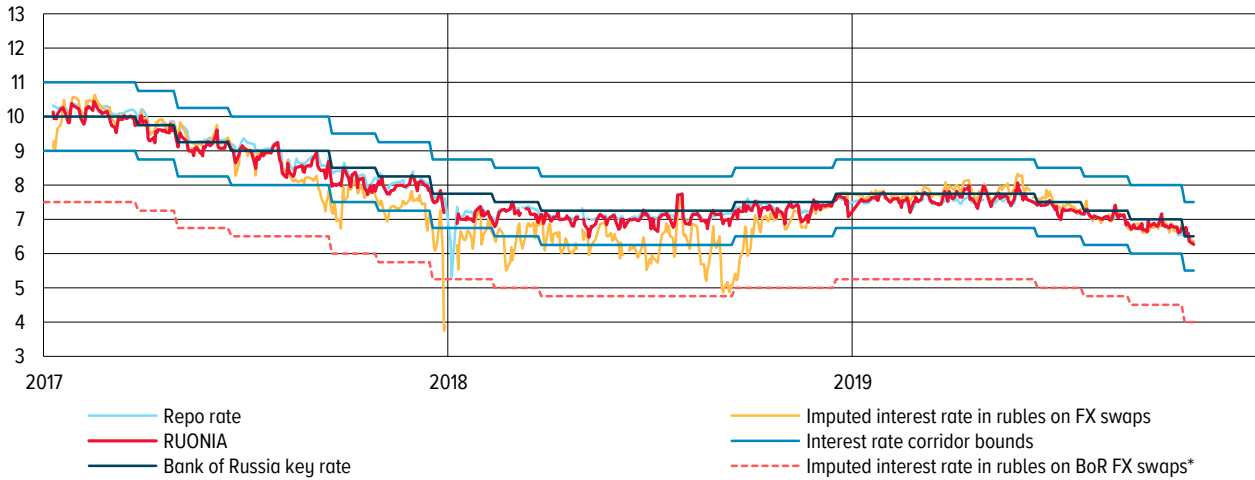
Chart 2



* Average for averaging periods.
Source: Bank of Russia calculations.

THE SPREAD IN THE FX SWAP AND INTERBANK SEGMENTS STAYED CLOSE TO ZERO (% P.A.)

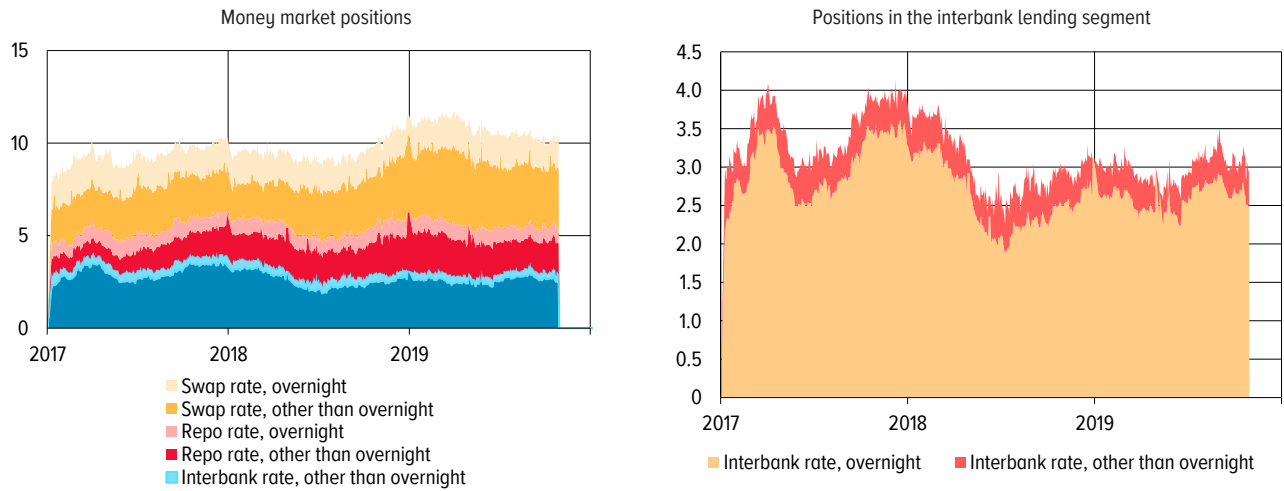
Chart 3



* $Imputed\ rate = ruble\ lending\ rate - foreign\ currency\ borrowing\ rate + LIBOR$
 (from 19.12.2016: $key\ rate - 1\ pp - (LIBOR + 1.5\ pp) + LIBOR = key\ rate - 2.5\ pp$).
 Source: Bank of Russia calculations.

BANKS' INTERBANK LENDING POSITIONS IN THE MONEY MARKET SLIGHTLY SHRANK, INCREASING IN OTHER SEGMENTS
(TRILLIONS OF RUBLES)

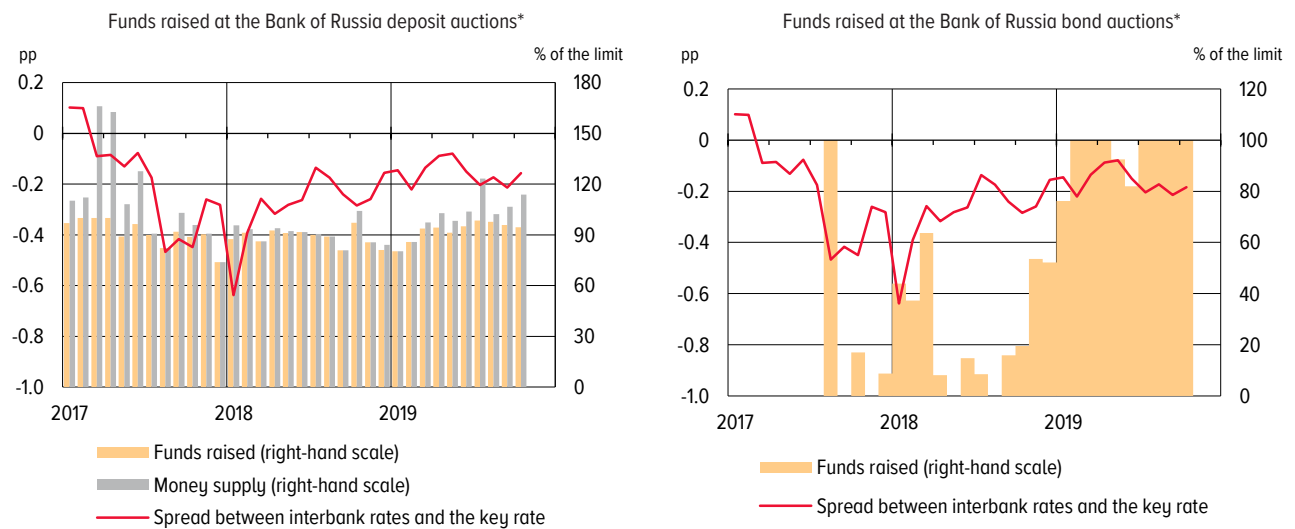
Chart 4



Source: Bank of Russia calculations

BANKS' SUPPLY AT THE BANK OF RUSSIA DEPOSIT AUCTIONS SUBSTANTIALLY EXCEEDED THE LIMITS IN THE FIRST HALF OF THE AVERAGING PERIOD

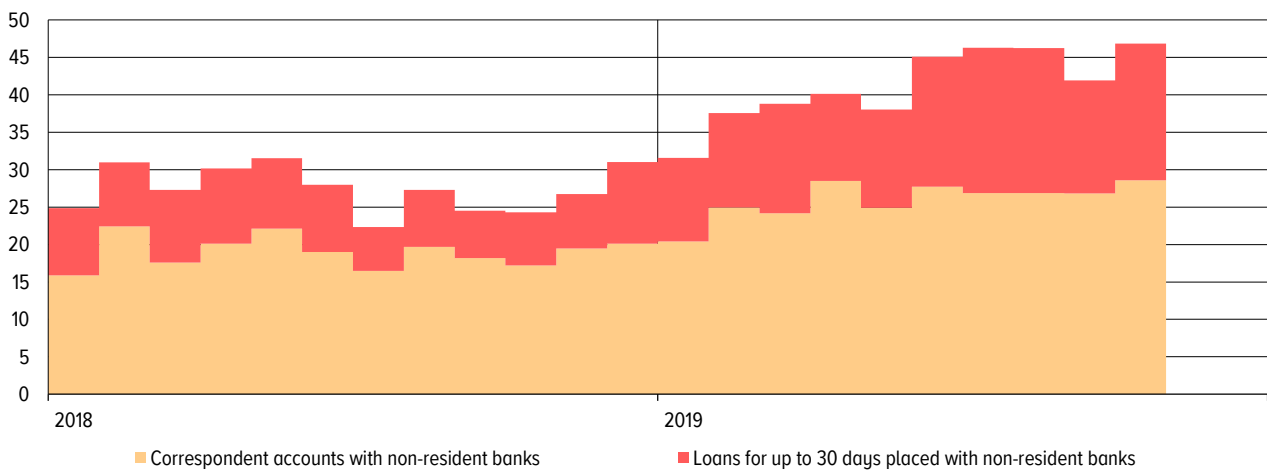
Chart 5



* Average for averaging periods
Source: Bank of Russia.

THE AMOUNT OF HIGHLY LIQUID FOREIGN CURRENCY ASSETS REMAINS HIGH (AS OF 1 OCTOBER)
(BILLIONS OF US DOLLARS)

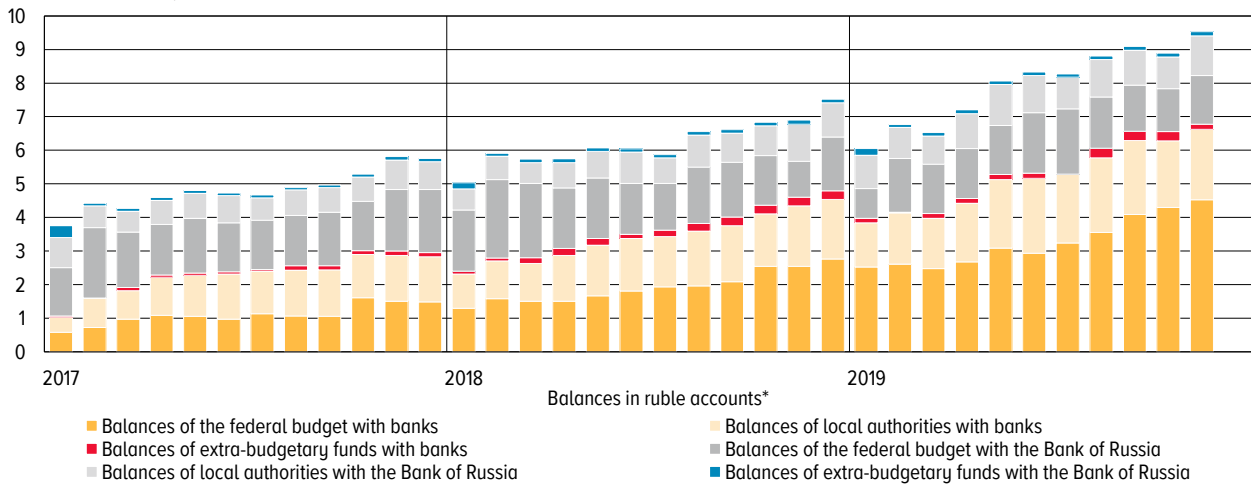
Chart 6



Source: Bank of Russia.

THE REPAYMENT OF DEPOSITS OF EXTRA-BUDGETARY FUNDS CONTRIBUTED TO THE LIQUIDITY OUTFLOW
FROM BANKS IN OCTOBER
(TRILLIONS OF RUBLES)

Chart 7



* According to banking reporting form 0409301 'Performance indicators of a credit institution'.
Source: Bank of Russia calculations.

IN SEPTEMBER 2019, THE BANKING SECTOR'S STRUCTURAL LIQUIDITY SURPLUS DECREASED
(START OF BUSINESS, BILLIONS OF RUBLES)

Table 3

	01.01.2017	01.01.2018	01.01.2019	01.10.2019	01.11.2019
Structural liquidity deficit (+) / surplus (-)	736	-2,639	-3,024	-2,892	-2,308
Bank of Russia claims to credit institutions	1,258	10	13	5	5
Auction-based facilities	216	-	-	-	-
– repos and FX swap	-	-	-	-	-
– secured loans	216	-	-	-	-
Fixed interest rate facilities	1,042	10	13	5	5
– repos and FX swap	632	4	8	0	0
– secured loans	411	5	5	5	5
Credit institutions' claims to the Bank of Russia	785	2,729	3,293	3,123	2,533
Deposits	785	2,372	1,902	2,315	1,424
– auction-based	397	2,125	1,478	2,180	1,304
– fixed interest rate	388	247	424	135	120
BoR coupon bonds	0	357	1,391	808	1,109
Standing reverse facilities, other than Bank of Russia standard monetary policy instruments*	263	81	256	226	219

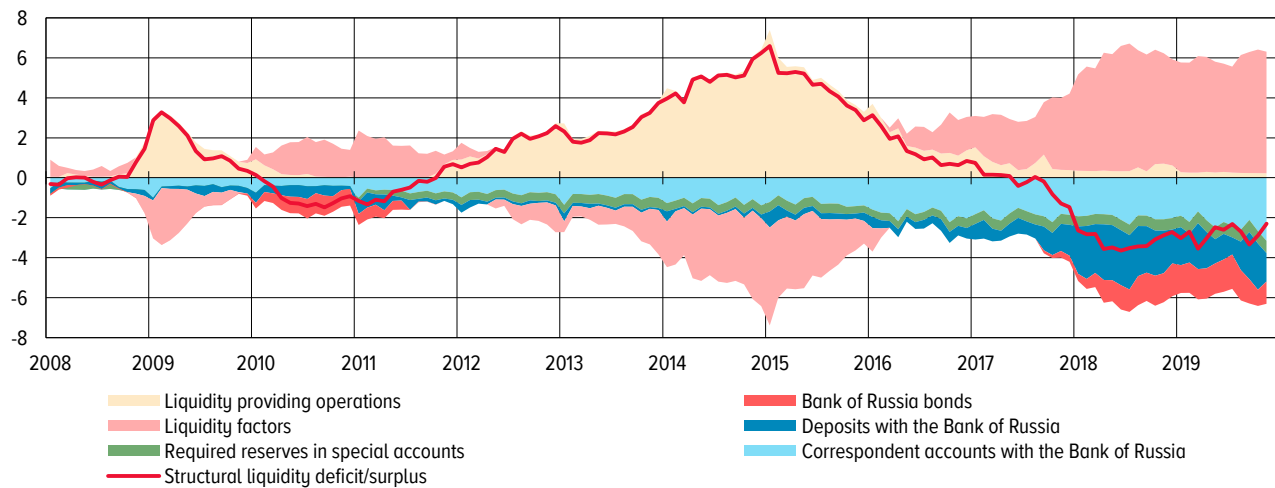
* These transactions include Bank of Russia specialised refinancing instruments, loans granted by the Bank of Russia within irrevocable credit lines, and USD/RUB and EUR/RUB sell/buy FX swaps.

Note: due to rounding, final values may differ from the total of respective values.

Source: Bank of Russia calculations.

BANK OF RUSSIA BALANCE SHEET
(TRILLIONS OF RUBLES)

Chart 8



Source: Bank of Russia calculations.

FOREIGN EXCHANGE AND STOCK MARKETS

In October, most segments of the Russian financial market showed a rise in quotes associated with both external and internal factors. The upward trend in demand for high-risk assets was driven by improved investors' expectations regarding the prospects of the trade disputes and the Brexit-related situation and the easing of monetary policy in a number of countries. The strengthened expectations for a key rate cut by the Bank of Russia that were realised at the end of October were the most significant internal factor that supported securities prices.

Exchange rate. The ruble strengthened against the US dollar by 1.2%, reaching 64.1 rubles per US dollar. The JP Morgan's Emerging Markets Foreign Exchange Index rose by the same figure (Chart 9). The decision made by the Bank of Russia Board of Directors did not have a considerable influence on the ruble that stayed in the range of 63.7–64.1 rubles per US dollar after the meeting of the Bank of Russia Board of Directors. Before the meeting, some foreign investors increased their foreign currency purchases, but their demand was offset owing to sales by investors buying federal government bonds (OFZ).

Country risk premium. Russia's CDS spread mostly declined during the month, returning to its lows recorded in November 2007 (Chart 10). The reduction in CDS spreads that was also

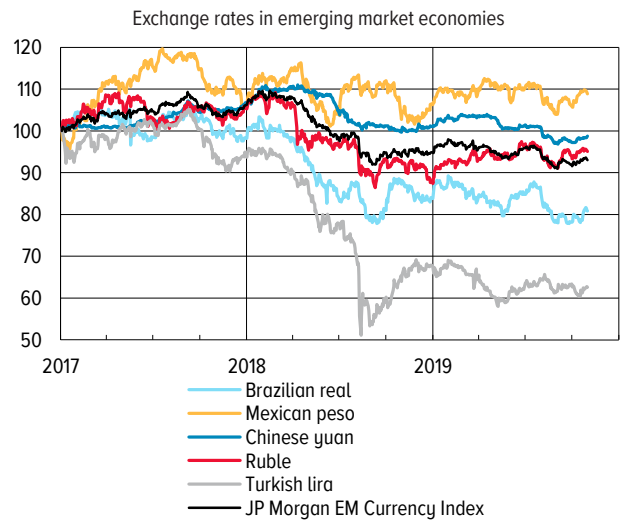
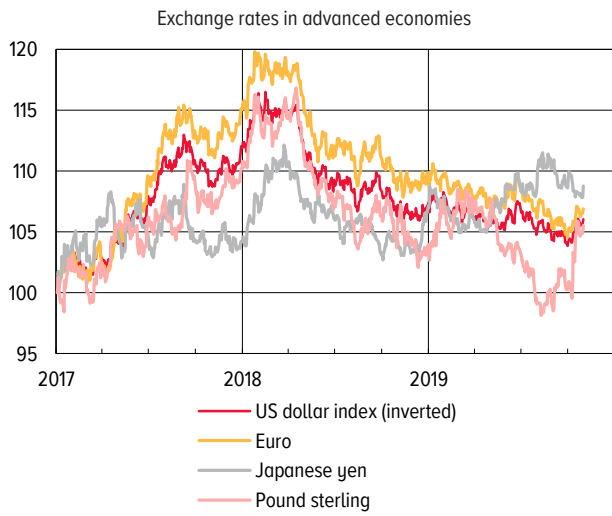
observed in the majority of other emerging market economies (EME) was caused by increased demand for high-risk assets. The UK's CDS spread demonstrated a significant decline (-8 bp) on the back of the news about the progress in the Brexit negotiations.

Federal government bonds. The OFZ market saw a substantial yield decline in October. The short end of the OFZ zero coupon yield reduced by 60 bp, which became the largest monthly decline since March 2016 (Chart 11). As a result, the yield curve for all maturities dropped below the level recorded in early April 2018, after the imposition of the new sanctions. Moreover, yields of short-maturity issues declined to the level of early 2014, and of long-maturity issues – to the readings observed in 2018 H1. This was primarily associated with slower inflation and increased expectations for a quicker easing of monetary policy by the Bank of Russia. In these conditions, foreign investors resumed extensive purchases of securities, building up their OFZ holdings by 233 billion rubles (Chart 13).

Stocks. The MOEX and RTS Indices rose by 5.3% and 6.7% respectively (Chart 4), which is slightly more than average across EMEs (the MSCI EM Index was up by 4.1% over the same period). Higher growth of Russia's indices was driven by a moderate recovery of oil prices and the dynamics of prices for some securities. In particular, Gazprom shares rose by 15% amid the positive news about the Nord Stream 2 and Power of Siberia gas pipelines.

THE RUBLE STRENGTHENED BY THE END OF THE MONTH, AS MOST OTHER CURRENCIES*
(03.01.2017 = 100)

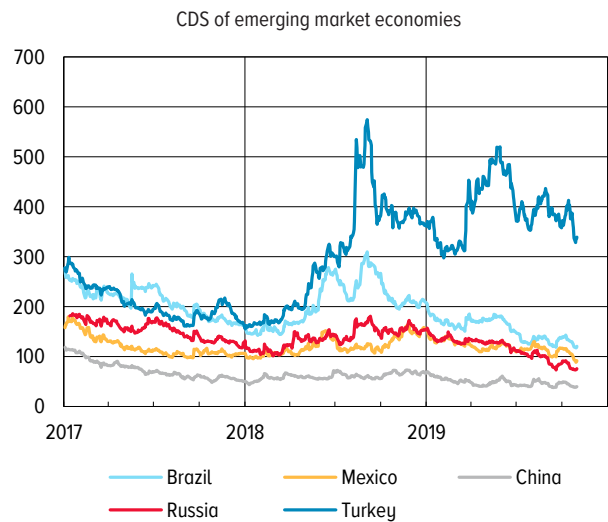
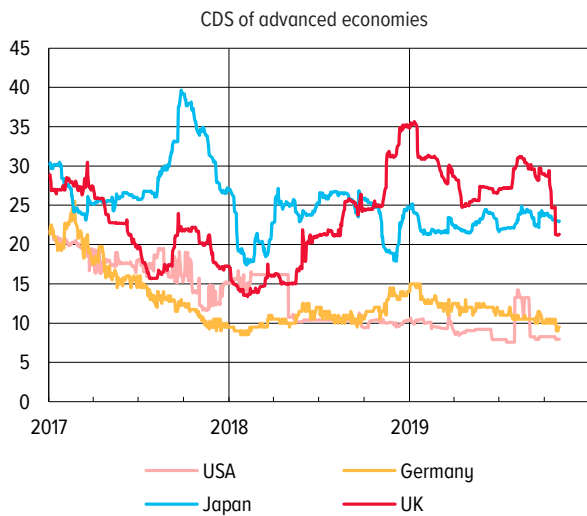
Chart 9



* Against the US dollar. Reverse exchange rates.
Sources: Bloomberg, Bank of Russia calculations.

RUSSIA'S CDS SPREAD STAYED CLOSE TO ITS HISTORICAL LOWS (BP)

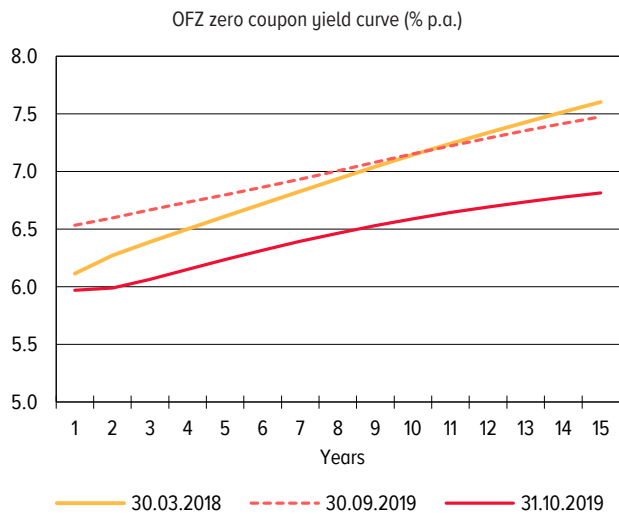
Chart 10



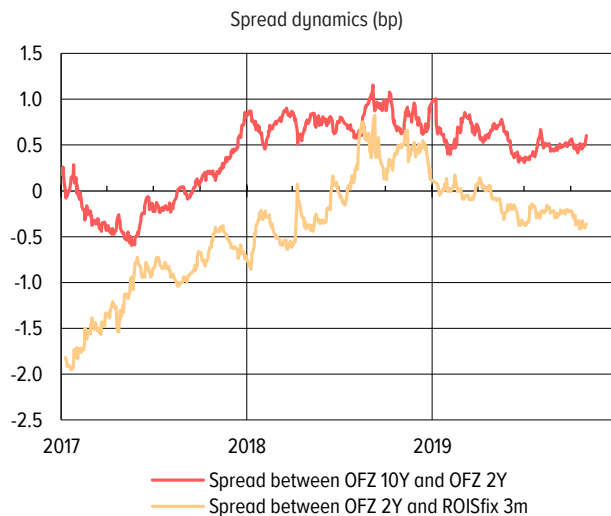
Sources: Bloomberg, Thomson Reuters, Bank of Russia calculations.

THE OFZ YIELD CURVE DECLINED BY 50–60 BP ON THE BACK OF THE MONETARY EASING

Chart 11

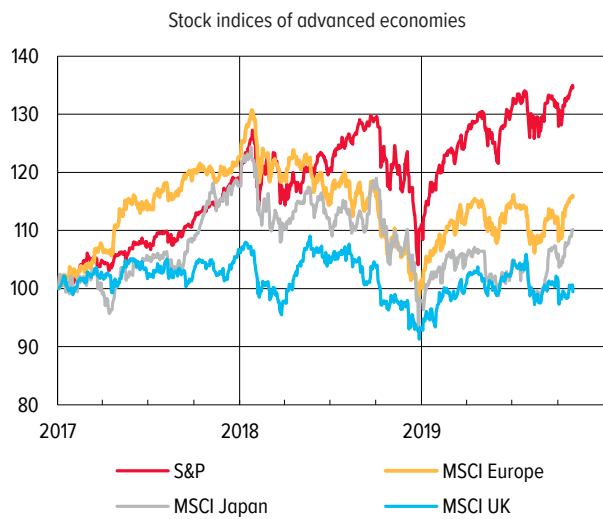


Source: PJSC Moscow Exchange.

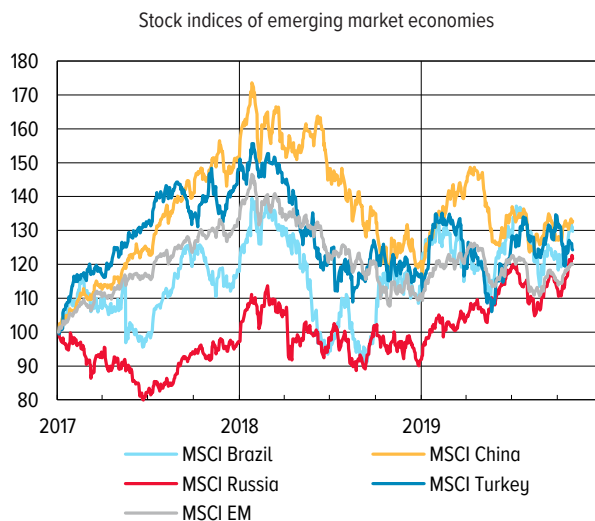


STOCK INDICES OF MOST ECONOMIES ROSE AS DEMAND FOR HIGH-RISK ASSETS INCREASED
(03.01.2017 = 100)

Chart 12

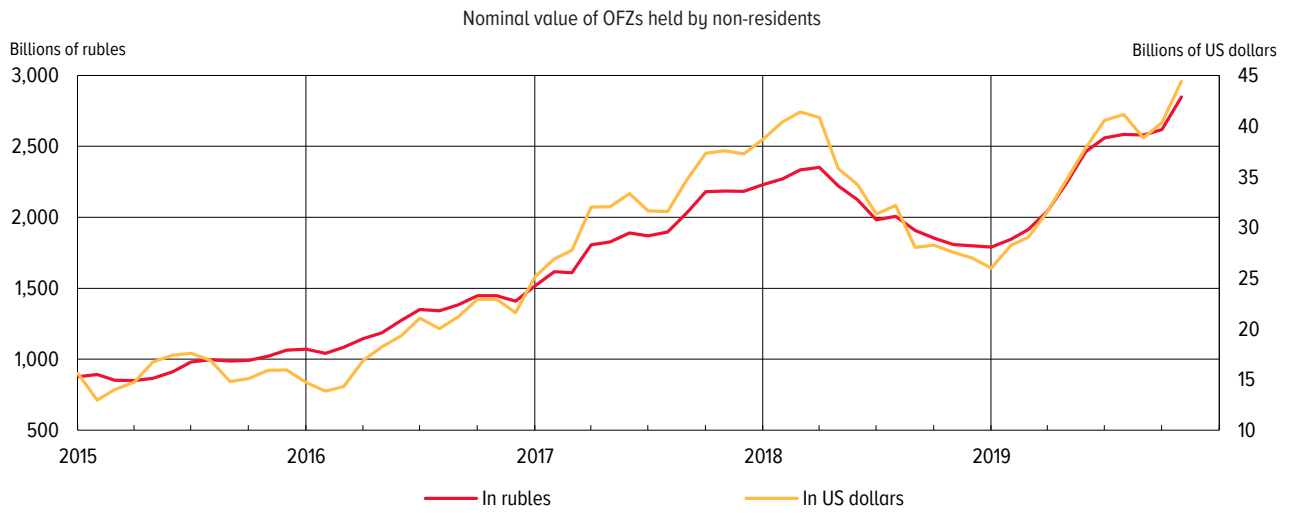


Sources: Bloomberg, Bank of Russia calculations.



NON-RESIDENTS RESUMED EXTENSIVE OFZ PURCHASES

Chart 13



Source: Bank of Russia calculations.

THE RUSSIAN FINANCIAL MARKET WAS POSITIVE IN OCTOBER

Table 4

Indicator		31.10.2019	1M	3M	6M	YTD	1Y
Russian financial market							
RUB/USD exchange rate		64.10	1.2	-0.4	2.2	8.5	2.4
MOEX Index		2,894	5.3	6.0	12.4	22.7	25.8
RTS Index		1,423	6.7	5.7	14.9	33.5	28.7
Government bond yield		6.26	-63	-71	-170	-215	-214
Corporate bond yield		7.08	-43	-78	-155	-207	-177
Regional bond yield		6.90	-52	-88	-168	-183	-169
CDS spread		76	-10	-20	-53	-78	-71
RVI		20	1	-1	1	-7	-10
Exchange rates (per US dollar, % change, '+' – appreciation, '-' – depreciation)							
AEs*	US dollar index	97.35	-2.0	-1.0	-0.5	1.0	0.4
	Euro	1.11	2.2	0.7	-0.3	-2.6	-1.8
	Japanese yen	107.98	0.2	0.1	3.3	2.1	4.5
	Pound sterling	1.29	5.3	6.5	-0.7	1.9	1.8
EMEs	JP Morgan EM Currency Index	61.02	1.2	-1.6	-1.7	-2.0	-1.2
	Ruble	64.10	1.2	-0.4	2.2	8.5	2.4
	Brazilian real	4.02	3.5	-5.0	-1.7	-3.8	-7.6
	Mexican peso	19.22	2.7	-0.5	-0.6	2.3	4.6
	Chinese yuan	7.04	1.6	-2.0	-4.3	-2.3	-1.0
	Turkish lira	5.72	-1.2	-2.7	4.3	-7.8	-4.1
	South Africa	15.07	0.6	-3.8	-3.6	-4.3	-2.9
	10-year bond yield (% p.a., change in bp, '+' – increase, '-' – decrease)						
AEs	USA	1.69	3	-20	-85	-103	-143
	Germany	-0.41	16	4	-44	-65	-78
	Japan	-0.14	8	-1	-10	-14	-26
	UK	0.63	14	4	-56	-64	-77
EMEs	Russia	6.46	-55	-87	-167	-224	-214
	Brazil	6.49	-56	-78	-247	-274	-363
	Mexico	6.76	-12	-74	-136	-193	-196
	China	3.28	14	13	-12	-3	-25
	Turkey	12.42	-70	-264	-688	-366	-510
	South Africa	9.20	20	18	1	49	49
CDS spreads (% p.a., change in bp, '+' – increase, '-' – decrease)							
AEs	USA	8	0	0	-1	-2	-2
	Germany	10	-1	-1	-3	-5	-3
	Japan	23	-1	1	1	-2	-2
	UK	21	-8	-8	-4	-14	-4
EMEs	Russia	76	-10	-20	-53	-78	-71
	Brazil	120	-16	-10	-54	-90	-85
	Mexico	92	-24	-29	-23	-65	-51
	China	40	-8	-2	-1	-27	-32
	Turkey	339	-19	-25	-108	-24	-44
	South Africa	189	-4	13	-2	-34	-44
Stock indices (points, % change), '+' – increase, '-' – decrease)							
AEs	S&P	3,038	2.0	2.8	4.1	22.2	13.2
	MSCI Europe	1,695	3.1	3.1	1.4	14.5	9.0
	MSCI Japan	1,007	4.9	6.3	3.5	12.5	4.5
	MSCI UK	2,076	-2.4	-4.8	-1.8	6.5	1.9
EMEs	MSCI EM	1,042	4.1	1.7	-3.4	8.2	11.3
	MSCI Russia	757	7.8	6.9	15.0	33.2	29.3
	MSCI Brazil	2,226	5.9	-0.6	9.3	14.2	10.0
	MSCI Mexico	4,673	3.5	7.9	-2.8	6.2	3.3
	MSCI China	78	4.0	0.6	-9.3	10.6	13.9
	MSCI Turkey	1,327,477	-7.5	-5.7	4.2	6.9	8.0
MSCI South Africa	1,350	2.3	-3.7	-8.2	3.2	11.4	

* Advanced economies.

Sources: Bloomberg, PJSC Moscow Exchange, Cbonds.ru, Bank of Russia calculations.

CREDIT AND DEPOSIT MARKET

Deposit rates. Owing to the key rate decrease beginning in June, banks are able to gradually lower the cost of their deposit products following the downward adjustment of yields of financial market instruments (Chart 14). As opposed to July, August showed a comparable interest rate reduction in both short- and long-term deposit segments (by 0.14 and 0.20 pp respectively).

According to the estimates, deposit rates continued to decline in September, and this trend was relatively uniform for deposits with various maturities. In October, banks also adjusted their interest rates downwards, and moreover they did this most actively prior to and immediately after the key rate meeting of the Bank of Russia Board of Directors on 25 October. In the near future, the key rate cut alongside with the signal that the Bank of Russia will assess the need for its further decrease at one of the upcoming meetings of the Board of Directors will put a downward pressure on average weighted interest rates.

Deposit operations. A gradual slowdown of inflation enables banks to maintain an acceptable level of actual return on deposits, despite the drop of nominal interest rates. As a result, the year-over-year growth rate of ruble deposits remains stable: in September, it rose from 7.8% to 8.9%.¹ At the same time, the inflow of households' funds to foreign currency deposits sped up again: their annual growth equalled 11.3% as compared to 9.6% in the previous month. Yet, the share of foreign currency retail deposits shrank from 21.5% to 21.1%, mostly as a result of the ruble appreciation.

The trend towards advanced growth of long-term bank deposits continued in September, both in the segments of ruble and foreign currency operations (Chart 15). This does not only evidence that depositors maintain

confidence in the banking system and that households are interested in depositing their savings, but also positively influences banks' possibilities to expand long-term lending.

Credit rates. Banks continued to reduce their interest rates on corporate and retail loans in August, against the backdrop of lower market yields and deposit rates (Chart 14). However, in contrast to July, loans with over 1-year maturities demonstrated the largest decline – by 0.5 pp to 9.1% p.a., as compared to 0.2 pp to 8.6% p.a. for short-term loans. These dynamics were observed amid a considerable increase in extensions of loans in the segment issued for more than 3 years. Yet, despite a significant reduction in the cost of long-term borrowings, the maturity premium in corporate loan rates remained positive.

The decrease in interest rates on retail loans was primarily the result of a solid reduction in the cost of mortgage loans: only in August, the interest rate on ruble mortgage loans dropped by more than 0.3 pp, and in September it even lowered to a new historical low of 9.7% p.a. According to the preliminary data, this affected the average weighted rate in retail lending in general.

The expectations for further gradual monetary easing sustain, creating the potential for an additional downward adjustment of loan interest rates in the short run, and will play a critical role in further easing of bank lending conditions (Chart 18).

Corporate lending. The slowdown in corporate lending slightly accelerated in September: after the 0.7 pp contraction in August, the annual growth rate of the portfolio of loans issued to non-financial organisations dropped by another 1.5 pp to equal 3.5%. This was caused by a substantial decline in the growth rate of foreign currency lending, while growth of ruble loans remains steadily high.

The ruble loan segment demonstrated a gradual increase in maturities, which may suggest that banks' and their customers' mid-term inflation expectations are lowering. However, despite the sufficiently stable dynamics of the quality of the corporate loan portfolio, the overdue debt on loans issued to

¹ Hereinafter, increases in banks' balance sheet indicators are calculated based on reporting data of operating credit institutions recorded in the State Register as of the relevant reporting date. Increases in foreign currency claims and liabilities are calculated in US dollar terms. To analyse flows of funds between banks and their customers, growth of the foreign currency component is converted into rubles using the period average exchange rate where increases in balance sheet indicators comprising the foreign currency and ruble components are calculated herein.

non-financial organisations that has formed by now more likely has a restraining effect on credit activity as long as it prompts banks to stick to the conservative approach in selecting corporate borrowers (Chart 16).

In the coming quarters, a gradual increase in the affordability of corporate loans driven by lower loan interest rates will boost growth in the corporate segment of the lending market and may support investment demand (Chart 18).

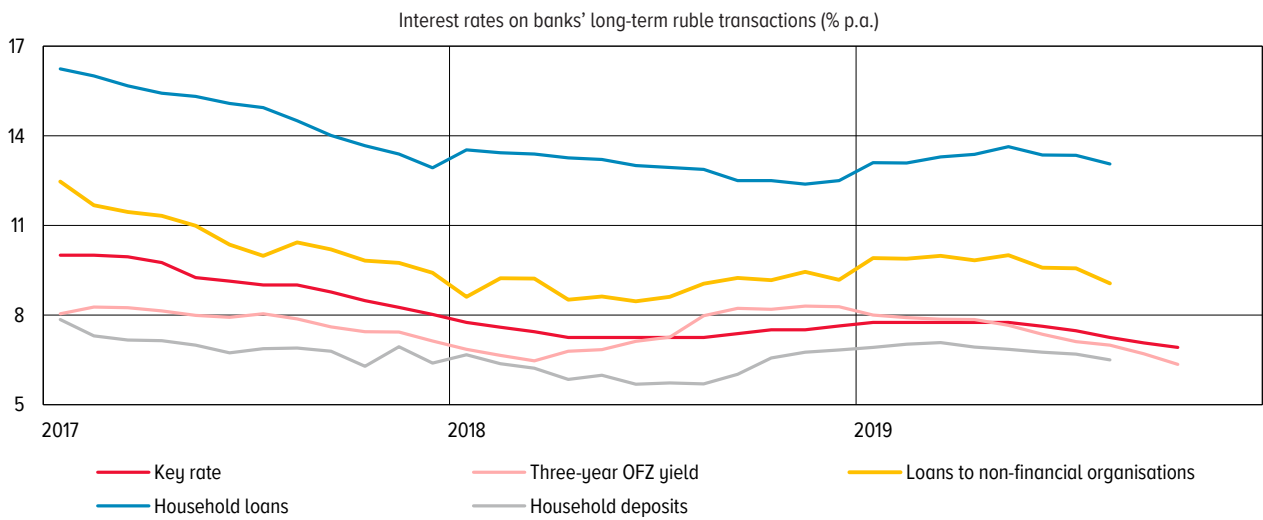
Retail lending. In September, the retail loan portfolio continued the trends that had formed in the previous months: a gradual deceleration of its annual growth rate persisted – by 0.7 pp to 20.7% (Chart 16). Activity declined again across all retail lending segments, mortgage loans being the largest contributor to the overall slowdown. On the one hand, this was driven by mortgage securitisation transactions. On the other hand, this resulted from the increase in interest rates on mortgage loans observed since July 2018

until April 2019, which reduced borrowers' interest in mortgage loan refinancing (Chart 17). The downward trend in the cost of mortgage loans that resumed in May 2019 alongside with consistently good payment discipline of mortgage borrowers and a further increase in loan maturities in this segment will continue to promote the already visible recovery of interest in this market segment among banks and their customers (Chart 18).

As to unsecured consumer lending that demonstrated a rapid revival after its contraction in 2015–2016, this segment has by now passed the peak of its recovery growth and will continue to slow down as a result of the introduction of risk-based buffers on 1 October 2019 that depend on borrowers' debt burden ratio. Therefore, further growth in retail lending will be balanced, helping to support domestic demand in the economy and avoid any risks for price and financial stability.

BANKS CONTINUED TO DECREASE THEIR LOAN AND DEPOSIT INTEREST RATES

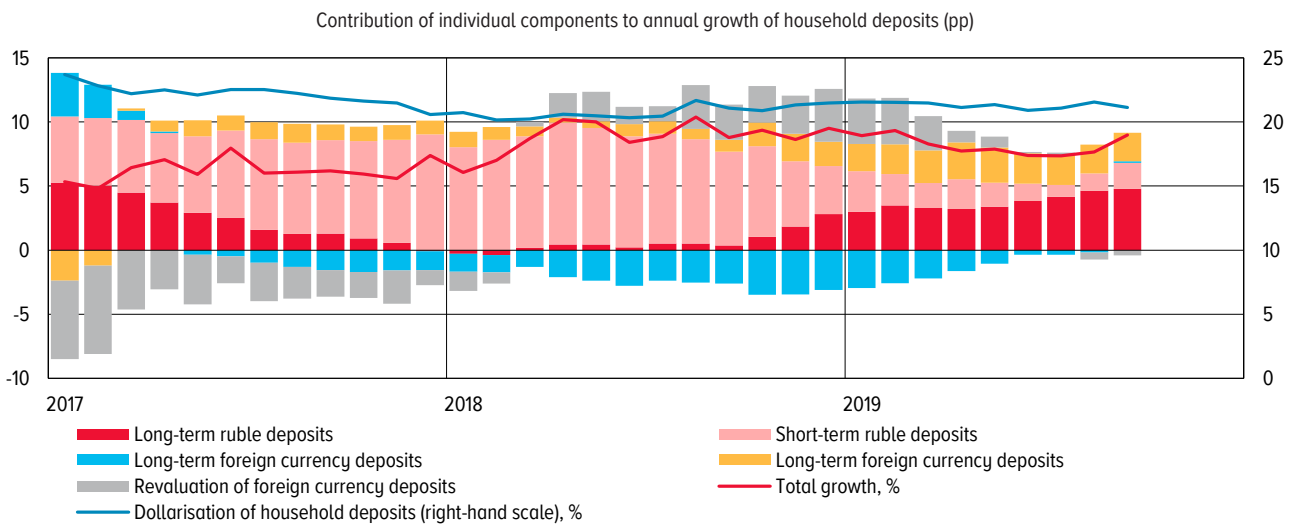
Chart 14



Source: Bank of Russia calculations.

SEPTEMBER SHOWED A SLIGHT INCREASE IN SHORT-TERM HOUSEHOLD DEPOSITS, WHILE THE INTEREST IN LONG-TERM DEPOSITS REMAINED HIGH

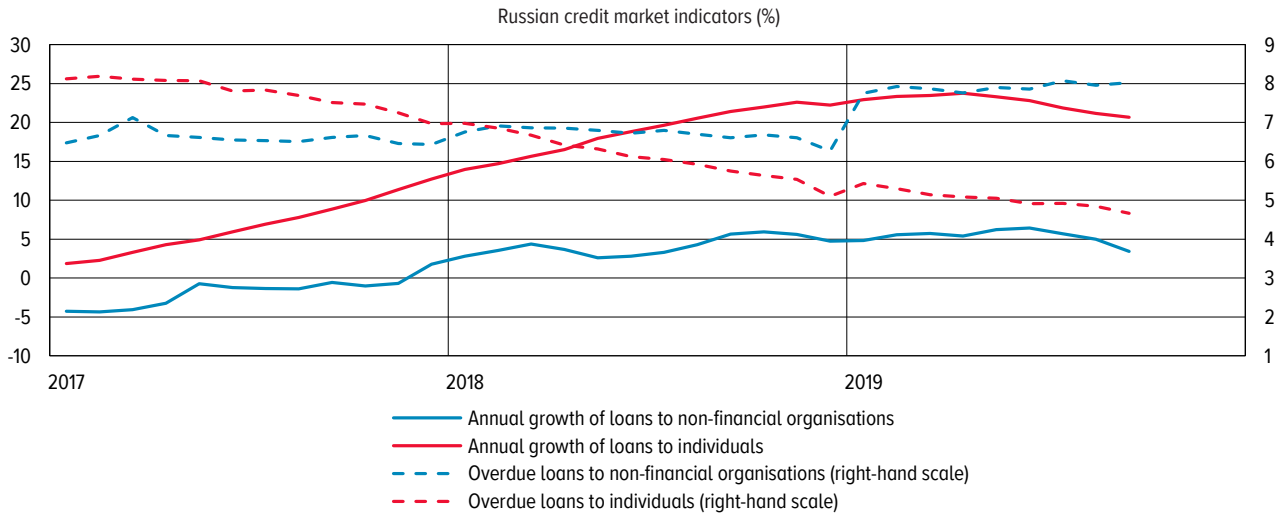
Chart 15



Source: Bank of Russia calculations.

CORPORATE AND RETAIL LENDING CONTINUE TO SLOW DOWN AMID SUFFICIENTLY STABLE DYNAMICS OF THE QUALITY OF LOAN PORTFOLIOS

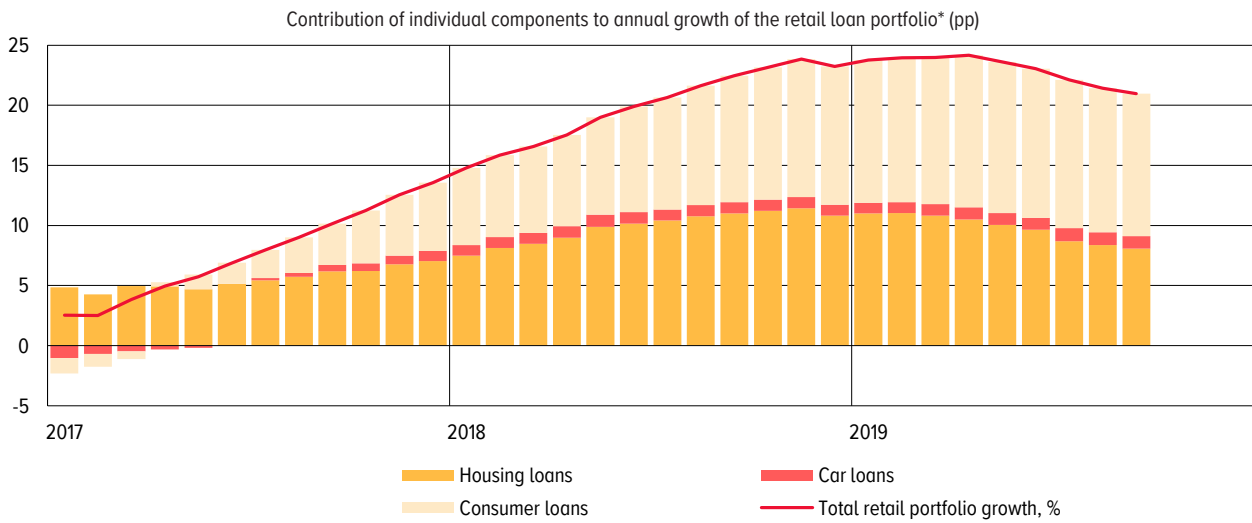
Chart 16



Source: Bank of Russia calculations.

SIGNIFICANT WEAKENING OF MORTGAGE LENDING DYNAMICS PERSISTS

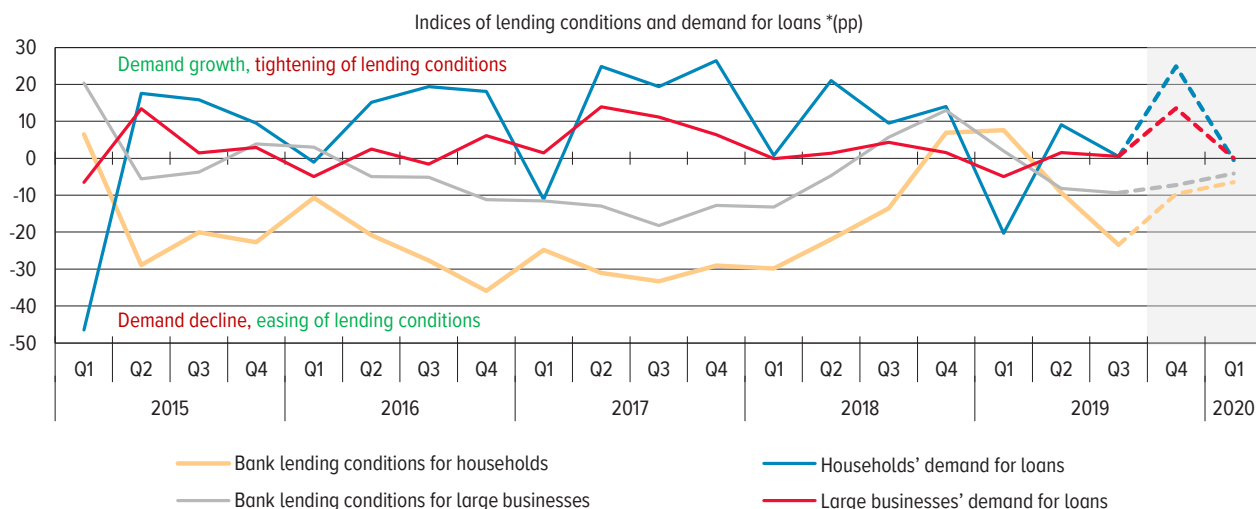
Chart 17



* For loans grouped into homogeneous loan portfolios.
Source: Bank of Russia calculations.

IN 2019 Q3, THE EASING OF LENDING CONDITIONS FOR HOUSEHOLDS RECORDED BY BANKS WAS LARGELY DRIVEN BY LOWER LOAN INTEREST RATES

Chart 18



CREDIT AND DEPOSIT MARKET INDICATORS

Table 5

		June 2019	July 2019	August 2019	September 2019
Rates on banks' long-term ruble transactions					
– household deposits	% p.a.	6.8	6.7	6.5	
– household loans	% p.a.	13.4	13.3	13.1	
– corporate loans	% p.a.	9.6	9.6	9.1	
Household deposits					
	% YoY, AFCR	7.3	7.1	8.2	9.4
– in rubles	% YoY	6.6	6.5	7.8	8.9
– in foreign currency	% YoY	9.9	9.5	9.6	11.3
– dollarisation	%	20.9	21.1	21.5	21.1
Loans to non-financial organisations					
	% YoY, AFCR	6.4	5.7	5.0	3.4
– short-term (up to 1 year)	% YoY, AFCR	4.7	4.9	2.1	1.2
– long-term (more than 1 year)	% YoY, AFCR	5.4	4.3	4.0	2.1
– overdue loans	%	7.9	8.1	8.0	8.0
Household loans					
	% YoY, AFCR	22.8	21.9	21.2	20.7
– housing mortgage loans	% YoY, AFCR	21.6	19.8	19.0	18.3
– unsecured consumer loans	% YoY	24.6	24.4	23.7	23.4
– overdue loans	%	4.9	4.9	4.8	4.7

Note: YoY – year-over-year; AFCR – adjusted for foreign currency revaluation. The Marshall-Edgeworth decomposition is used to make the adjustment for FX revaluation.

Source: Bank of Russia calculations.

Data cut-off dates:

- 'Banking sector liquidity and money market' section – 05.11.2019 (The reserve requirements are an important part of the Bank of Russia's instruments for managing banking sector liquidity and money market rates. Therefore, the operational procedure of the Bank of Russia's monetary policy should be analysed for efficiency with account of the required reserves averaging periods. In October–November 2019, this period is from 09.10.2019 to 05.11.2019);
- 'Foreign exchange and stock markets' section – 31.10.2019;
- 'Credit and deposit market' section – 01.10.2019.

A soft copy of the information and analytical commentary is available on the Bank of Russia website (<http://www.cbr.ru/DKP/>).

Please send your comments and suggestions to svc_analysis@cbr.ru.

This commentary was prepared by the Monetary Policy Department.

Cover photo: A.M.Gruzdeva, Bank of Russia

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